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FROM

THE QUARTERLY JOURNAL
OF ECONOMICS

CANADIAN NATIONAL ECONOM

The Cause of High Prices and their Effect upon the Country

BY
JAMES J. HARPELL

TORONTO
THE MACMILLAN CO., OF CANADA, LTD.
1911

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PREFACE

The material presented in the following pages has grown out of notes and observations made particularly during the last eight or nine years, while in the course of business. I have had an opportunity of studying Canadian conditions at first hand, and in a similar manner of comparing them with those obtaining in other countries. My first attempt to put these notes into constructive form resulted in an article entitled "Canada and Tariff Reform," that appeared in the 1910 January number of "Contemporary Review." The correspondence and comments occasioned by the appearance of this article impressed me with the need for a more comprehensive treatment, such as I have attempted in this volume.

JAMES J. HARPELL

Toronto,
March, 1911.

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INTRODUCTION

During the last ten or fifteen years politi parties have shown a marked indifference towa keeping the electors of Canada informed on the qu tions of the day. The old educative campaigns, whi were carried on throughout the country almost co tinuously from parliament to parliament, have be abandoned. Nothing has arisen to take their pla and as a result the great body of electors are not su plied with the information and data on which corre judgments concerning national issues may be forme Canadian electors see little or nothing of politicia and other interested parties until a few days before is necessary to submit these issues to the people a during these few days the appeal is not so much reason and judgment as it is to prejudice, sentime and other considerations of even less worthy cha acter.

In the discussion which the proposed trade neg tiations with the United States has aroused, it noticeable how religiously protectionists avoid discus ing the economic phases of the question and how assi uously they confine themselves to its sentiment aspects. For instance, they ask, "Why should we di turb financial and other interests by tinkering wi our tariff to please the United States?" Or they s that any disposition on our part to negotiate a tra arrangement with the United States will affect t workings of our preferential tariff with Great Brita and injure Imperial unity. In such sentiment phases of the subject the masses of the people ha little interest and hence it would appear that publ

below the average price of wheat in Australia. Bu the price of flour in Toronto during the same mont was from $65.00 to $70.00 per ton, or from $20.0 to $25.00 per ton more than in Australia. Fron data such as these the Canadian farmers are beginnin to discover that while the average price which the receive for their wheat is about the lowest received b farmers in any wheat growing country of the world yet the prices which they and other Canadian con sumers pay for flour, bran, and shorts are about th highest. The freight on wheat from New Liskeard, a station on the Government road in the clay belt of Northern Ontario, to Montreal, a distance of 500 miles, is $4.48 per long ton. For the same distance in New South Wales, Australia, the freight on wheat is 12s. ($2.92) a long ton. Coexistent with this condition is the fact that steel rails made in Canada are being sold to the builders of New South Wales railways at a much lower price than the same class of rails from the same Canadian foundry, on which the Canadian people, including the growers of wheat, have paid a bounty of from $2.75 to $3.75 a ton, can be bought by the builders of Canadian railroads. The cash price of a Canadian made harvester in the Province of Alberta is $155, in Ontario the price is $132. But the same binder can be bought in Great Britain for £25 10s. "delivered any station and subject to 2½% for cash or three months." That is, the cash price of the Canadian-made harvester in Great Britain is $121.00. The freight on agricultural machinery from Liverpool, England, to Calgary, Alberta, is 118s. ($28.84) per long ton, carload lots. A harvester weighs from seventeen to nineteen hundred weight, so that it would pay the farmer in Alberta to buy his Canadian-made machinery in Liverpool and ship it back into Canada, if it could be imported free of duty.

Another discovery that is arousing the suspicion of the Canadian people is that there are few commodities produced in Canada which cannot be bought by the consumers of other countries much cheaper than they are being sold to the consumers in Canada. For instance, bacon made from the Canadian hog in the packing-houses of Toronto, and for which the people of Toronto pay from 22 to 28 cents a pound, is sold in Great Britain for from 15 to 20 cents a pound. Canadian flour is cheaper in England than it is in Canada and bread in Canada is about double the price it is in England. The same is true of fish, lumber or, as a matter of fact, any commodity that is the product of the natural industries of this country. None of this extra price which the Canadian consumers pay goes to the primary producers. The prices which they receive for their products is the same whether for export or for home consumption, and is always based upon the ruling prices in the English markets. Thus the price paid to the Canadian producers of wheat, live stock, cheese, fish, etc., is governed by the current prices of these products in England. The Englishman may call this dumping, but the Canadian consumer is beginning to realize that the explanation lies in the fact that the prices of these commodities have remained stationary in Great Britain or have advanced slightly, while the prices to Canadian consumers have been very considerably and rapidly increased during recent years. On the other hand, the prices which the Canadian consumers pay for commodities imported from Great Britain are much higher than the prices paid by the English consumers. Concurrent with the rapid increase in prices of commodities there has been an abnormal increase in every other item, such as rents, taxes, etc., that goes to make up the total cost of living, until at the present time it is a demonstrated fact that a family can live better in England on about one-half

the outlay that is necessary to keep the same family in Toronto or Montreal.

The purpose of this volume is to review the causes that have produced the present high cost of living and production in Canada, and to examine the effects which it is having upon the country.

CHAPTER I.

THE CANADIAN MANUFACTURING INDUSTRY.

Previous to 1878 the duty on Canadian impor was intended only to produce a revenue sufficient meet the national expenditure; or, in other words, tl tariff was one for revenue only. But in that year tl Conservative party, under the leadership of the la Sir John A. Macdonald, came into power on a polic of protective tariff; that is a tariff, which, in additio to raising the required revenue is so adjusted as t protect the Canadian manufacturer from outside con petition.

The Liberal party, which by the election of 187 was thrown into opposition, continued to advocate tariff for revenue only, or as it was designated b many and understood by the general public, "Fre Trade." Few, if any, countries have ever adopte absolute free trade, though we have come to speak o countries which have not a protective tariff as "Fre Trade" countries. Thus we speak of Great Britai as a "Free Trade" country although much of her reve nue is provided by import duties which are impose on certain articles for revenue only. The term "Fre Trade," therefore, as it is generally used, is a mis nomer. It should be "Tariff for Revenue Only."

According as the economic conditions of the coun try become readjusted by the protective policy, or b the "National Policy" as it was generally called, an the burdens of the great body of the people corre spondingly increased, the arguments of the Libera party became more and more effective and no doub would have triumphed much sooner than they did wer it not for the fact that the protected interests mad

greater and greater efforts to keep the Conservative party in power. By the early nineties the farmers throughout the country were beginning to feel keenly their new burdens and a movement known as the "Patrons of Industry," which was started about this time, spread rapidly. Primarily, this was a co-operative movement and, being such, readily exposed, in a very convincing manner, the fact that the hardships from which the people were suffering emanated from the protective tariff. In districts where this movement was properly managed it brought much relief and its educative force had the immediate effect of converting Tory agriculturists into "Free Trade" supporters.

As in the case of all elections, there were many questions involved in the general election of 1896. But the most important one and the one which more than any other differentiated the two parties, was the question of "Free Trade" and "Protection." The "Free Trade" party won and the Liberals came into power pledged as firmly as any party could be to those who elected them to banish "Protection."

The campaign of the protected interests was at once shifted from the electorate and concentrated upon the new government. In an incredibly short time it was announced that the government had decided to inaugurate what is now known as the preferential policy, by which the British manufacturer was to be given a substantial advantage over other importers in the Canadian markets. This policy was evidently intended by the Liberal government to take the place of the Free Trade policy on which they had been elected and much was made of it in the protectionist and party organs. There were not a few, however, who recognized the sham of the substitution; but the idea of closer trade relations with the mother country appealed to the loyalty of the majority of Canadians and

they were easily persuaded to give the new policy a trial. Moreover, any loss which the Liberal party suffered by the withdrawal of those who were dissatisfied, was more than made up by the support of, or at any rate, the lack of opposition from the protected manufacturers, who were now satisfied that the protective tariff of the Conservative party was to be maintained by the new government.

By this action of the Liberal government all organized opposition to protection was removed and there remained no effective force to restrain or expose manufacturers and others who took undue advantage of the protection which the tariff gave them to raise prices to Canadian consumers. The Patrons of Industry had supported the Liberal candidates; discredited politically by the tariff policy of the new government, and exposed to the disabilities which manufacturers were able to impose upon their co-operative movement, they soon went to pieces.

No sooner had the government been converted, than the various protected interests began to take advantage of the protection which the tariff gave them. Allied interests came together and combinations were formed. Prices to Canadian consumers were raised and in order to maintain these prices efforts were made to control production. One after another the smaller manufacturers were forced either to close or to sell out to the larger ones. The extent to which this elimination and amalgamation has been carried on and the effect it has had upon Canada is apparent to anyone who has traveled much about the country.

According to the census returns of 1891 there were in Canada in that year 75,964 manufacturing establishments of all kinds, large and small. In the census of 1901 the statistics of manufacturers were collected only for establishments having five employees

and over. But in 1906 a special census of all manufacturies was taken. In the government report presenting the results of this 1906 census the following note appears: "Statistics were collected from all manufacturing establishments, irrespective of the number of persons employed, although many of the smaller ones were not used in the compilation." Nothing is said in the report as to how many were excluded. But it is significant that all subsequent republications of the census by the government omit the above explanatory note. According to these two censuses the number of manufacturing establishments decreased from 75,964 in 1891 to about 15,796 in 1905. When the Liberal party were in opposition, in their fierce denunciation of the protective tariff, they repeatedly accused the Conservative government of padding the census returns of 1891. No such charge, however, has been brought against the census takers of 1881 or 1871, and in order that the reader may have all the facts to judge for himself the following figures taken from each of the census returns since 1871 are given:—

Census	Population	No. of Manufactory Establishments	Total No. of Wage Earners
1871.....	3,485,761	41,259	187,942
1881.....	4,324,810	49,928	254,935
1891.....	4,833,239	75,964	369,595
1901.....	5,371,315	not given	not given
1905.....	not given	15,796	356,034

But if there is any doubt about the validity of the figures just quoted, there surely can be no question whatever about the following. As already stated the census of 1901 gives only the number of establishments with five employees and over. In the census of 1906 this information is also given, as well as returns for

all manufacturing establishments. According to thes two censuses, both of which were taken by the Libera government, we find that the number of manufactur ing establishments with five employees and over de creased from 14,650 in 1901 to 12,547 in 1906 or almos fifteen per cent. in five years. Now, as is generall known, for the one establishment with five employee and over, that has been driven to the wall, there ar many smaller ones that have been forced to close fo the same reason.

Since 1906 this eliminating and concentrating pro cess has been going on with even greater vigour tha at any time before that date, and to-day it is not un common to find a whole industry administered fro one office. In 1909, according to the "Monetar Times" of Toronto, 52 large Canadian manufacturin companies were merged into ten combines with a aggregate capital of $195,000,000.

The people of this and other countries have heard a great deal of the aid which Canada's protective tar iff has been in compelling foreign manufacturers t build branches in Canada. But for the one new estab lishment that has been erected fully fifty have disap peared. For the purpose of a more detailed examina tion of this surprising decrease in the number of man ufacturing establishments the following extracts giv ing (1) the number of factories in each industry men tioned, (2) the number of wage-earners to whom these give work, and (3) the value of the total output of each, have been taken from the census returns of 1891 and 1906. Anyone desiring more complete informa tion may obtain it from the "Canada Year Book" fo 1908, published by the Dominion government. The in dustries mentioned have been selected from those enjoying the greatest amount of protection.

Manufacturers	1891			1906		
	No. of Factories	No. of Employees	Value of Output	No. of Factories	No. of Employees	Value of Output
Boots and Shoes	5,398	18,041	$18,990,381	138	12,035	$20,264,686
Carpets	557	915	548,619	5	726	910,340
Carriages and Waggons	3,336	9,056	9,744,416	368	4,751	8,347,509
Agricultural Implements	221	4,543	7,493,624	88	6,711	12,835,748
Foundries and Machine Shops	648	13,374	17,191,430	470	15,972	24,013,094
Furniture	1,286	7,180	7,706,093	181	7,370	9,003,688
Tanneries & Leather Finishers	802	4,287	11,536,860	183	3,274	15,142,217
Harness and Saddlers	1,567	3,189	4,150,461	182	1,947	4,800,555
Paints and Varnish	72	537	1,933,825	30	651	3,779,181
Drugs	135	907	2,008,100	33	739	2,893,321
Woollen Goods	377	7,156	8,087,871	129	4,252	5,764,600
Cotton Goods	23	8,635	8,741,724	20	10,214	14,223,447
Rubber Goods	19	1,388	2,060,070	9	612	2,335,358
Explosives	9	155	556,500	7	167	498,318
Fancy Goods	47	230	334,870	4	75	184,000

In order to understand the effect which this pro
cess of elimination has had upon the country on
requires to visit the thousands of villages and towns
which but a few years ago, were thriving places, pos
sessing many promising young industries that at leas
supplied local requirements and by the labour the
employed provided an important market for the agri
cultural products of the community. To-day many o
these places are dilapidated and half deserted. Th
machinery in the plants lies rusting. The neighbour
ing farmers, instead of butchering their cattle, hogs
and sheep for the local market, are compelled to sel
on the hoof for what they can get from the large
slaughtering houses and packers. Their grain is also
exported as it comes from the thresher, instead of be
ing ground, as it used to be, for home consumption, a
the local grist mill, which has also been closed up in
many cases. Thus the farmers' products are shipped
out of the community in the rawest condition while the
finished articles they require are shipped back to them
Such a system of waste coupled with the opportunity i
gives the middleman for fixing both buying and selling
prices could produce only one result—a serious de
crease in profits. This, together with the loneliness o
the changed social conditions brought about by the
decrease in the population of the adjoining town o
village, produced an uneasiness and a disposition in
the younger members of rural families to leave the
community. The effect of decreasing profits and in
creasing scarcity of farm help soon began to be seen
in ill-kept and poorly cultivated farms and in a desire
on the part of farmers to sell. That this condition
exists in Eastern and Central Canada to-day more
than ever before may be seen by the increasing num
ber of people who are leaving the country, some to
Western Canada and some to the United States. The
fact that by going West they still remain within Cana

dian boundaries, is only a fortunate circumstance and does not alter the condition that compelled them to leave their former homes.

In newspaper articles and advertising literature much has been made of the numbers of American farmers who have been moving into Western Canada. But this movement is not as great in proportion to population as is that among the farmers of Eastern Canada. Some are going West, others to the cities and others unfortunately to the United States. According to the report recently issued by the United States Immigration Commission, 53,448 people, or one in every hundred and fifty of our population, emigrated from Canada to the United States during 1909, of whom 24,118 were naturalized Canadians. The fact of the matter is that conditions in both the United States and Canada for the mass of producers and consumers have become so unbearable that there is a strong tendency to move about from one place to another in the hope of bettering their condition.

There is a very important point that should not be overlooked in connection with the effect upon labour which the process of elimination and amalgamation of manufacturing plants is having. In the report submitted at Washington in 1907 by Mr. William Whittam, the commissioner deputed by the United States Department of Commerce and Labour to report on England's cotton industry, much of the success of England's cotton industry is attributed to conditions which enable loom fixers and others to begin business for themselves in a small way. Mr. Whittam points out that a beginning is often made by simply renting the first few looms, which in many cases are operated by his wife and children. There was a time when such a beginning was possible in Canada. In fact many of the oldest and largest of our manufacturing plants which now form the heads of combines can be traced

back to very small beginnings. But to-day the man who cannot command sufficient capital to cope with the existing monopoly, has little or no chance of success. He may better keep what money he has in the bank and continue as an employee. Such is far from being the ideal condition. It places a great limitation upon the opportunities and ambitions of the workingman and widens the breach between capital and labour.

Labour has been affected in another way. According as the process of eliminating the smaller factories proceeded, more labourers came flocking into the larger cities from towns and villages and from the farms. These, together with our immigrants, have enabled employers to keep down wages to a minimum. Hence the rise in wages, particularly for unskilled labour, has been small in comparison with the increase in the cost of living.

Another feature exemplified by the statistics given above which should be noted is that most of the industries show little or no increase in the value of the output, and when it is remembered that prices were much higher in 1906 than in 1891, it would appear that the total quantity of goods produced by many of these industries was no greater and in many cases less in 1906 than in 1891. This finding is supported by the fact that the imports of finished goods in many of these lines increased during this period out of all proportion to the increase in population. The failure on the part of Canadian manufacturers to produce sufficient to meet the demands of the country is due to two considerations. First there is the intentional limiting of production in order to maintain prices. Again, an increase in prices means an increase in cost of living, which in time forces up wages and results in increasing the cost of production to a point where it is more profitable to import than to manufacture. Consequently

we find the imports of dutiable articles, which our protective tariff was intended to shut out, increasing more rapidly than ever. In 1891 the value of dutiable imports into Canada was $77,106,286, on which $23,963,954 duty was paid. By 1905 the dutiable imports had increased to $150,928,787, on which $41,433,649 duty was paid. During the year ending with the 31st of March, 1910, the imports of dutiable articles amounted to $241,961,536, on which $61,024,239 duty was paid. Since the 31st of March, 1910, the imports of dutiable articles has been much larger than during any similar period.

The one argument, which, more than any other, is advanced in support of a protective tariff, is that it shuts out the foreign-made article and improves the condition of manufacturing within the country. In Canada, however, the tariff has utterly failed to accomplish either of these results. On the contrary it has produced a condition just the opposite of what is claimed for it. How often is our rising revenue from import duties pointed to as an evidence of our prosperity? But seldom do we stop to think that the greater the revenue from this source the larger must be the importations of manufactured goods, which our protective tariff is supposed to shut out.

The formation of combines and the elimination of small manufacturing plants has not been confined to industries that drew their raw material largely from foreign countries, but has also spread to industries that prepare the raw products of the Canadian producer for the consumers. There is hardly a staple commodity, whether imported or produced at home, that is not controlled by a few manufacturers and middlemen.

In 1891 there were 2,550 flour and grist mills in Canada. But by 1906 this number has been reduced to 832 and the elimination and freezing-out process

since the latter date has been continued down to the present time.

In 1891 there were 528 slaughtering and meat packing establishments. By 1905 this number had been reduced to 68.

In 1891 there were 5,017 fish preserving factories. By 1906 this number had been reduced to 465.

The following are the number of establishments in each of these three industries as reported by the census returns of 1871, 1881, 1891 and 1906:—

	1871	1881	1891	1906
Flour mills.	2,295	2,407	2,550	832
Slaughtering and meat packing houses.	193	203	528	68
Fish preserving factories..	34	339	5,017	465

Lumber and all its products is another commodity that is controlled by a few and consequently the prices of such articles are very high. The timber in the better settled districts has been cut off and the timber limits and lumbering rights in the newer and unsettled parts have been corralled by a few operators. With the existing prices of lumber, cement and all other articles required for building purposes, it is not surprising that dwelling houses in places like Toronto and Montreal rent for from two to three times what the same class of houses can be had for in English towns and cities.

This abnormal increase in prices has affected the cost of public as well as private construction, so that the amount of money that is being spent by municipalities, governments and other corporations is producing much less construction than would be accomplished under other conditions and as a result the taxes exacted from ratepayers are unreasonably high. In some municipalities the rates are as high as the people will permit and instead of raising the rates the reve-

nue is augmented by increasing the assessment.

The stock argument of protectionists against a reduction of the tariff is that any lowering of the present protective duties will result in the closing up of Canadian factories. But surely no policy of Free Trade could reduce the number of manufacturing establishments as rapidly as the present protective policy has during the last twelve years.

Now, it may be asked why did not the protective tariff have this effect during the period from 1879, when the protective policy was first adopted, to 1896. There are many reasons, of which three of the most important are as follows:—

1st. It took some time for rival manufacturers to get together, organize, and absorb or crush out the small local competitors.

2nd. Previous to 1896 there was a well organized and exceedingly active Free Trade party in the country, which exposed and denounced any effort on the part of manufacturers or middlemen to take advantage of the protection, which the tariff gave to raise prices on the consumers. This party kept the people well informed on the economic and other effects of the tariff. All of which kept the protected interests in check.

3rd. Previous to the middle nineties the Canadian banking system was more in the nature of individual local banks and these did much to support local industries. Since that time most of these local banks have been crushed out or absorbed by a few of the larger ones and the whole banking system has been centralized at two or three points much in the same manner as have the manufacturing industries.

CHAPTER II.

THE CANADIAN PREFERENTIAL TARIFF.

The Preferential tariff both as a means of relief to the consumer and as a policy intended to give the British importer an advantage in the Canadian markets has not been the success that it was hoped it would be.

The Canadian combines so thoroughly control prices in Canada that it is an easy matter for them to fix the prices of commodities at Montreal and other ports, where British goods enter, sufficiently low to meet the preferential duty; at other boundary points, where only goods from the United States enter, to fix the prices as much higher as the higher duty will permit, and at inland points as much higher as the cost of transportation and tariffs will allow. That this is the system maintained by all combines is easily seen by a comparison of prices at different places.

The Canadian Portland Cement combine has its mills situated at different points throughout Canada. At most of these there is little or no difference in the cost of producing cement. Yet prices for the same quality of cement are maintained at different points equal to the maximum which the tariffs and transportation will allow. For instance, the price of Portland cement at Montreal is from $1.35 to $1.40 per barrel of 350 pounds in carload lots, bags, four to the barrel, charged extra. The price of Portland cement at Toronto, which is 334 miles inland from Montreal and 117 miles by rail from the United States boundary, is from $1.60 to $1.75 per barrel in carload lots, bags extra. As one goes farther West, the price still increases until at Winnipeg Portland cement costs from $2.40 to $2.75

a barrel, carload lots, bags extra. The retail price at each of the above mentioned places is from 10 to 20 per cent. higher. The price of cement in London, England, is from 80 to 90 cents a barrel. The freight on cement from London to Montreal is 28½ cents per barrel. The freight from Montreal to Toronto is 35 cents a barrel. The duty on cement from the United States is 43¾ cents a barrel and on British cement 28 cents a barrel. From these figures it will be seen that the price of cement in Montreal is just equal to the price of cement in London plus freight and preferential tariff. The price of cement in Toronto is considerably higher than the price in Montreal, notwithstanding the fact that one of the largest mills of the cement combine is situated not far from that city and the cost of manufacturing cement is no greater in these mills than in those outside of Montreal. In fact, the price of cement in Toronto is the maximum the combine can charge and retain the market in competition with American cement. The same considerations determine the prices of cement at Winnipeg and other places.

Now it will be noticed that the difference between the regular and preferential duty on cement is only 15¾ cents per barrel, or an amount sufficient to carry the British material only a few miles beyond the port of entry and retain any advantage over the American material. Hence it is only within a very small territory around the few ports of entry that the English importers, by reason of the preferential tariff, have any advantage over their American rivals, and within this territory the Canadian combines keep their prices sufficiently low to give English articles keen competition.

Of course, in the case of more expensive goods, where the freight is a smaller proportion of the value, the territory in which the English importer has an advantage is larger. But only on a very limited num-

ber of articles is the preference sufficient to give the British importer any advantage in Western Canada or to give the citizens of Western Canada any relief from the high prices maintained by the Canadian combines, under protection of a high duty against American imports.

Under these and other disabilities from which the British exporter suffers, it is not surprising that since the preferential tariff was adopted imports of dutiable goods from Britain have not increased as rapidly as those from the United States.

Just here it may occur to the mind of the reader that it would be possible even under a system of Free Trade for combines and monopolies to take advantage of the freight on competing material to keep up prices to consumers at interior points. The answer to this query is embodied in two considerations. First, a slice off existing prices equal to the present tariff would be a substantial reduction and a boon to Canadian consumers. In a country such as Canada, where the population is spread over so large an area, the inland freight charges alone impose a substantial burden on consumers at inland points without the additional charge which the protective duty occasions. And second, without a protective tariff, combines such as are to be found in Canada could not exist, and could not have succeeded in crushing out so many small competitors and getting the control they have won. It is the advantage of the tariff which forms the foundation upon which gigantic capitalized monopolies are built. Their profits from the prices which the tariff enables them to exact from the consumers are large and with it they are able most ruthlessly to crush out small competitors and override everything. Under ordinary circumstances the inland freight charges are sufficient to encourage local industry. But when a high protective wall is built an opportunity is at once given to large

concerns to blanket the whole country, smother out local industries and centralize manufacturing in a few places. While a combine is reducing prices in one district in order to freeze out a local competitor, the unreasonably high prices that it is exacting from consumers elsewhere more than make up for the loss at the competitive point.

The nature and character of combines in Canada is very well set forth in the following paragraph taken from the leading editorial in a recent issue of the "Monetary Times," Toronto. The editorial was occasioned by the introduction of a bill at Ottawa which is intended to prevent undue raising of prices by combines and monopolies. "If it were possible," says the writer of this editorial, "to learn the true reason actuating the large number of mergers during the past twelve months or more in Canada, one would possess valuable data. The combinations give an opportunity for small companies in financial difficulties to become absorbed by larger and stronger concerns. They can act as a lever to enhance prices of commodities to the public. They can become a factor for the diversion of trade to new channels, the result being sometimes of personal profit and national loss. They can obliterate the intention of tariffs, restrain trade, limit competition. It is possible for the giant corporations with tentacles in the shape of subsidiary companies to become strong octopi. Then the legislative axe is powerless to sever the grip."

In Free Trade countries such as Great Britain there are combines much older than any in either the United States or Canada, but they have not been able either unduly to enhance prices or to crush out smaller competitors in the way they have in this country. This fact would go to show that combines may exist without producing the conditions they have in America. Sufficient data can be gleaned from the experience of trade

and industry to justify combinations for manufacturing and trade purposes. But experience has also shown that combines become dangerous as soon as conditions are created which place consumers at their mercy, and nothing creates such conditions quicker than protective tariffs. Protective tariffs seem to make the difference between the desirable and the undesirable combine. In the light of the experience of both Canada and the United States it seems a hopeless task to curb combines by anti-combine legislation or litigation. The more they are fought in this way the more powerful and relentless they become. The only weapon they fear and which seems capable of correcting their abuses is Free Trade.

There may be some justification for not lowering the Canadian tariff against such countries as the United States until these countries are disposed to make a corresponding reduction in their tariffs against Canada. But there is no reason why the tariff against Great Britain, which admits free all goods from Canada except spirits and tobacco, and is the best market for Canadian produce, should not be pulled down. The small preference the existing tariff gives to British imports, is of no value to a large section of the Canadian consumers, and gives small relief to any. This no doubt is responsible for the fact that among the mass of Canadian consumers the British preferential tariff has never been received with much enthusiasm. It was conceived in deception and accepted out of a sense of loyalty to the Mother Country. It is now generally regarded as a failure and there is no indication on the part of any community of a desire to allow it to stand in the way of a reduction in the tariff generally as soon as that is possible.

There are a few politicians who still wave the preferential flag, and many Canadian manufacturers who cheer when it is unfurled, but, who at the same time

take advantage of every means to defeat the purposes for which it was intended.

About a year ago the city of Toronto advertised for tenders for iron pipe and other supplies in Canadian, British, United States and other papers. The lowest tenders came from an English and a Scotch manufacturer and the city engineer recommended that the contracts be awarded to these firms. A Toronto manufacturer had also tendered, and when he learned that his offer was too high, he made a personal appeal to the City Council to ignore the British tenders and give the contracts to his firm. This is not the only case of the kind that has occurred. It is a fair sample of the amount of sincerity that underlies the Canadian manufacturers' advocacy of British preference and Imperial unity. This gentleman's firm was in a position to deliver these supplies from the foundry direct to where they were required by cart, but he evidently intended to make the city of Toronto pay the last dollar which the tariff and freight would permit him to exact. Not only so, but as soon as he found that the supplies could be made in Great Britain, packed, transported some 3,500 miles and laid down in Toronto against heavy freight charges and a duty of $6 a ton, and we may presume with a margin of profit, at a lower price than the one which he quoted, he was so selfish and devoid of fair play that he personally begged the Council to disregard the British tenders; and not without success, since he succeeded in taking the contract away from the Scotch firm.

With such economic conditions and such methods of awarding municipal contracts it is not to be wondered that so little civic improvement is accomplished in proportion to the enormous sums that are being spent, all of which is being raised by heavy foreign borrowing and excessive taxes imposed upon citizens

who are already loaded down by the prices they have to pay for the necessaries of life.

According to the last Ontario Government Report the assessed population of that province in 1901 was 2,028,889. The total municipal taxes which these people paid in that year amounted to $13,341,355 or $6.58 per head of population. In that same year the total debt of all municipalities was $56,277,748. In 1908 the assessed population of this province had increased to only 2,200,363 but the taxes had increased to $20,979,-084 or $9.34 per head and the debt to $89,908,767.

It may be reasonably assumed that if we had Free Trade with Great Britain and the British manufacturer was dealt with fairly, the city of Toronto would have been able to purchase the above mentioned supplies more than 25 per cent. cheaper than they did.

In cases such as the one cited above it should not be overlooked that none of the extra price which the city paid went to swell the revenue of the country. It all went into the coffers of the manufacturer.

There is no doubt but that the higher wages have made the cost of producing these supplies in Toronto greater than in Great Britain. But against this extra cost there is the cost of packing and freight to Toronto on the British goods. Moreover, if we had Free Trade with Great Britain and natural and normal conditions were restored in Toronto and other Canadian cities the cost of production in these places would be considerably reduced. The cost of construction and improvement would also be materially reduced and much more would be accomplished with the money spent; or there would not be the need for such expenditure and the taxes would be correspondingly reduced.

In a general reduction of prices and a restablishment of normal condition no class would benefit more than the great mass of consumers, whose wages and other returns for labour have not advanced in propor-

tion to the rise in the cost of living. There is no reason why bread should cost twice as much in Toronto and Montreal as in the English towns and cities, nor that the rents in Toronto should be from two to three times as high, except that the abnormal conditions produced by a high protective tariff have made them so.

CHAPTER III.

THE FORMATION, WORKINGS AND PROFITS OF CANADA'S COMBINES.

The manner in which Canadian combines have been formed is well set forth in the experience of a jobber, which was published in the "Toronto Star" some time ago.

"Previous to the era of combines," says this jobber, "I was free to buy my supplies where I could get them the cheapest and to sell at whatever price might be agreed upon between myself and my customers. About the beginning of the new century I was made aware of a change in the situation. I was informed by those controlling the source from which my supplies had usually been obtained that quotations heretofore supplied were no longer in force—that there had been an advance in prices. When I endeavoured to draw on other sources of supply, I found they all quoted prices exactly the same as the advanced figure of my former supplier.

"In a short time the jobbers were all called together by the men who had formed the combine among the manufacturers. We were told that for the future we would not be able to obtain supplies at any price unless we signed an agreement to advance our selling price to figures corresponding to those fixed by the manufacturers. We were further told that if we signed the agreement and carried out the orders of the Trust, rebates on all purchases made, varying according to the volume of business we did, would be paid to us at the end of the year through the men who had organized the combine. Of course, since these men controlled the source of Canadian supplies and since the tariff pro-

hibited us from getting supplies elsewhere, there was nothing left for us, if we were to stay in the business, but to sign the agreement. Thus the jobber from being an independent dealer became a mere hired servant or agent of the manufacturer. Our buying is arranged for us by the Trust. Our selling is controlled by the same arbitrary power. The higher prices, of course, were passed on to the consumers."

"Even this was not all. The manufacturers insisted on keeping in their own hands the business of supplying directly a few special retail customers who bought in large quantities."

Thus the small retail stores have been compelled to buy their supplies through the combine of wholesalers while a few large departmental retail stores in the large centres purchase directly from the manufacturers and are therefore able to undersell the local dealer. These departmental stores have built up extensive mail order deliveries which carry their goods to the consumers in all parts of the country at the expense of the business of local storekeepers. The injury which this centralizing of the retail business has done is very apparent in every part of the country. It is also apparent in the large centres where the business of the small stores has been gradually absorbed by the departmental establishments, whose presence has also tended to enhance the assessment of neighbouring property, and thereby increase the taxes of the stores whose business they have taken away. Thus the value of property outside of a few centres has been materially depressed while in the centres it has been unduly enhanced.

According to the "Toronto Star's" investigation it was found that "there were combinations of manufacturers on the one hand and combines of wholesalers on the other in active alliance; the manufacturers agreeing to sell only to those in the wholesale combine

and the organized wholesalers agreeing to buy only from the manufacturers' combines and to maintain prices mutually decided upon."

The series of articles that was published by the "Toronto Star" in the fall of 1908 very clearly sets forth the formation and workings of combines and since these articles have been allowed to stand without contradiction, the writer cannot do better than quote further from them.

"Some idea of the extent of the evils following upon the restraint of trade in this country (Canada)," says this paper, "was afforded when what is known as the tack combine was under investigation before the courts of Toronto. This combination covered not only tacks, but nails as well.

"The manner in which this particular organization was created and conducted is typical of the system pursued in all other cases and it may be well, therefore, to sketch briefly the plan of operation.

"A regular price list was prepared and each member of the organization agreed to stand by the same. In order to insure fulfilment of the agreement an officer was appointed with authority to enter the office and examine the books of any one of the factories covered by the organization.

"The pernicious effect of this organization was made particularly manifest in the measures taken by it to render competition by any concern outside the organization an impossibility. A case which actually occurred will best illustrate the means adapted to this end. An independent factory having sprung up, one of the combined factories was authorized to get after it. 'Getting after' in this case consisted in selling combine goods in the territory covered by the independent concern at cut rate prices. The end of the contest was certain from the beginning. The independent factory, being utterly unable to stand up against the hostile

The capitalization of such concerns is generally composed of three classes of scrip, bonds, preferred stock and common stock. The whole issue is underwritten by some bank or trust company which sells most of the bonds and much of the preferred stock in Great Britain. Simultaneously, of course, the issue is also offered in Canada. The greater part of the common stock is retained by the promoters and underwriters, who very often are one and the same. A considerable share of the proceeds from the sale of the bonds and preferred stock is also retained by the promoters and underwriters and the greater part of the balance is paid to the manufacturers from whom the plants have been purchased. Very little of it goes to develop or improve the plants. This class of flotation represents much of Canada's foreign borrowing. It makes a few millionaires but adds little to the industrial development of the country and imposes a heavy burden on the consumers who are forced to pay prices for the products of these combines that will enable the directors to pay handsome dividends on this enormous capitalization of water. This burden is further augmented by the payment of exorbitant salaries. Ordinarily, the men who are placed at the heads of these combines, and who draw the handsome salaries, are not the men who have spent their lives in the industry, but the friends and relatives of the promoters, who are often mere figureheads, and hence parasites on the industry. What all this means to the consumers of the country can best be understood by an examination of a few specific cases.

The Canadian Cement Company, Limited, has a capitalization of $38,000,000, of which there has been issued $5,000,000 of the 6 per cent. bonds, $10,500,000 of the 7 per cent. preferred stock and $13,500,000 of common stock. The net annual dividends, which this concern has promised English and other investors in

and betterments to the mills, amounted to $1,004,289. This very large profit was made on sales amounting to only $6,153,625.

Where our combines are able to fix the price they pay for their raw material as well as the selling price of their finished article their earnings are much larger. For instance, the three largest milling companies have a combined capitalization of $3,500,00 of 7 per cent. preferred stock, $5,895,000 of common stock, and $4,573,100 bonds. The net earnings from the business in 1909 of these three companies were sufficient to pay all expenses, the dividends on the preferred stock and the bonds and leave a balance of $925,902, or over 15¾ per cent. for the common or bonus stock. The net earnings of these three companies on their actual investment must have been considerably over 50 per cent. Of course, such a large percentage was not paid. One of these companies paid 7 per cent. on its common stock, another 6 per cent. The third paid 7 per cent. in cash and gave a bonus of 15 per cent. of new common stock, thereby further increasing their watered stock by this amount. The balance was carried forward. The surplus or undistributed earnings of these three companies at the end of 1909 amount to $2,360,625. These examples could be multiplied as many times as there are commodities required by Canadian consumers.

Canadian manufacturing industries naturally fall into two classes, viz.: those that draw their raw materials from foreign countries, such as cotton, rubber, silk, cane sugar, etc., and those that are engaged in the manufacture of materials produced in Canada, such as grain, timber, wool, certain classes of minerals, etc.

The raw material for the first class of establishment is admitted free or at very low rates of duty while the finished product enjoys the protection of a substantial tariff. The benefit which

Under the existing protective tariff there is so much raw and semi-finished material required by manufacturers which is admitted free or on which a drawback is allowed and there are so many of our so-called factories that are not much more than finishing shops for this class of goods, that it is difficult to determine among the highly protected industries those that are engaged solely in the working up of raw material produced in Canada. For instance, most people would expect that manufacturers of agricultural implements would be able to get the raw material which they require in Canada. Yet a few days ago the president of one of our largest establishments for manufacturing agricultural implements sent a letter to the "Grain Growers' Guide" of Winnipeg, in which he states "that more than 70 per cent. of the steel and iron and 50 per cent. of all the lumber used in Canadian agricultural implements is imported from the United States." This statement seems to be borne out by the fact that according to the Auditor General's Report for 1910, the payments made by the Dominion government to the manufacturers of agricultural implements on account of draw-backs amounted to $219,761.88.

Such examples as this should convince the people of the hypocrisy that is being practised when manufacturers exhort consumers to purchase only Canadian made goods or when they claim that the present tariff is one for revenue more than for protection.

In the absence of competition and the lack of a proper system of government inspection, the manufacturers are free, if they are so disposed, to use inferior grades of raw materials, with the result that a poor class of article is produced. In many articles this tendency is becoming very noticeable in the poorer service Canadian-made articles are giving consumers.

The banking system of Canada has become so much an integral part of our system of combines that

with the head office, so that they may the sooner be transferred to a better post. They have little or no power to make loans themselves and they are naturally over careful of the number of applications they submit to the head office. The applications that are forwarded are necessarily passed upon by men who know nothing of the applicant or the community from which the applications came and their acceptance or rejection is too often dictated by considerations that mean personal gain and national loss.

These branches are established and withdrawn where and at such times as the policy of the head office suggests. They are extended to communities as soon as business has attained a proportion or has prospects of so doing, which would justify the existence of a bank and are likewise withdrawn as soon as the industrial life of the community sinks below this level.

Under such a system it was only to be expected that private banks and the smaller chartered ones would have little chance of surviving and hence it is not surprising that Canada now possess a smaller number of independent banks than she has at any time since 1869.

Two of the latest chartered and local banks to fail were the Bank of St. Jean and the Bank of St. Hyacinthe, and it is instructive to note that according to the census returns the town of St. Jean in 1901 possessed 43 manufacturing establishments, each employing five people and over, with a total employment of 830 employees. But by 1906 this number had been reduced to 16 such factories with a total employment of 569. The town of St. Hyacinthe in 1901 had 31 of such factories employing 1,827 people. But in 1906 there were only 29, giving employment to 1,499. Of course, among the industries employing fewer than five hands the decrease would be much greater.

With the financial resources of the whole country so thoroughly in the hands of a few, who are also the largest holders of securities in industrial combines, and with a high tariff that protects them from outside competition, it is easy to understand what a power these few have over our manufacturing industry and how thoroughly the mass of Canadian producers and consumers are in their grip.

Independent operators and producers who are not connected in any way with trusts or combines find it very difficult to get even the ordinary bank accommodation. And when they do they pay for it exorbitant rates of interest. Independent merchants and manufacturers find it difficult to get the paper of their customers discounted and unless they are able to carry it themselves, these customers take their business to those who are in a position to give them such accommodation. Such conditions offer a very great barrier to those who are ambitious to start in business for themselves.

In the United States industrial and trade combines have not found their banking system so capable of being moulded. In fact, they have found it one of the greatest obstacles in their way and have made repeated but unsuccessful attempts to have it changed, continually holding up the Canadian system as a model. The promoters of combines and trusts in the United States had to make the best use they could of the associated banks of New York and other large cities. With the funds which these supplied, together with those of the large insurance companies, for the control of which fabulous prices were paid, the American combines and trusts were organized and promoted. But beyond this the banks were of little assistance to them and the banking system as a whole did much to check their efforts to stamp out local industries.

The laws of the United States prohibit national branch banks. Every town and village throughout the Republic has one or more independent banks, "capitalized with local capital and officered by local men thoroughly in touch with local needs and conditions. The interests of these banks are all centred in the home town and are dependent on the upbuilding of the community. When the officers of these banks are called upon to extend financial aid to some enterprise that may promote the welfare of the place, these before whom such applications come are men intimately acquainted with local needs and conditions, men who know personally those applying for the loans."* The independent banking system of the United States has thus done much to assist local producers, large and small, and to prolong the industrial life of many communities. Hence although combines and trusts made their appearance in the United States before they came to Canada they have been much slower in making their presence felt by the mass of producers and consumers.

*An address by Mr. E. D. Hulbert before American Institute of Banking.

CHAPTER IV.

CANADA'S NATURAL RESOURCES AND FOREIGN TRADE.

In the matter of natural resources, both as regards richness and extent, few countries have been more lavishly endowed than Canada. Her lands are fertile and extensive, her mineral deposits numerous and exceedingly rich, her shores abound with all kinds of the most marketable fish and her forests are comparatively inexhaustible. Among the wheat growing countries that have not yet begun the extensive use of mechanical fertilizer, none is capable of the acreage production of Canada. The average production of wheat per acre in Australia, the Argentine Republic, India and Russia is from 10 to 12 bushels. In Canada the average production per acre is over 18 bushels.

As regards markets, Canada is more favourably situated than any other of the newer countries. The greatest market of the world for all kinds of products is Europe. Here there are some two hundred millions of highly civilized people whose requirements are large and whose domestic resources limited. According to Lloyd's Calendar it requires from 36 to 42 days for mail to pass from the principal ports of New Zealand to London, the hub of the European markets; from 26 to 33 days from the principal ports of Australia to London; from 17 to 22 days from the ports of South America; from 17 to 21 days from the ports of South Africa; from 14 to 16 days from the ports of India, but only from 7 to 8 days from the principal ports of Canada. The time required for the passage of freight cargoes is longer than for mail, but the relative time required for a cargo of freight to pass between London and the principal ports of any of the countries just

mentioned is indicated by the above figures. These figures also indicate the relative time required for and the cost of cable despatches, a consideration of great and growing importance to trade and commerce. The market second in importance is that of the United States, and as regards this market, none of the newer countries is so favourably situated as is Canada. Japan and China form the market third in importance, and with regard to this market, also, Canada is as favourably situated as any of the newer countries and much more so than most of them. Canada lies midway between two of the world's greatest markets and is separated from the third only by an imaginary boundary line.

What this proximity to the great markets of the world should mean to this country only those can adequately appreciate who know the advantage of being able to take orders more readily and deliver the goods in less time than competitors. Moreover, the difference in cost of communication and transportation should be a big advantage to the Canadian producer and exporter.

Another asset of much value lies in the fact that Canada is situated in the same hemisphere as the three premier markets. This is a big advantage in shipping perishable goods and live stock. The depreciation in perishable goods and the death rate among live stock, when they have to be transported across the equator is considerable.

The climate in Canada is decidedly healthy and exhilarating and under its influence people soon become industrious and ambitious.

When to the foregoing opportunities and advantages, which the natural resources and position of the country offer, is added the exceptional ease with which her people have been able to acquire foreign capital, one naturally expects to find evidences of much more

development, increased production and prosperity than exist.

During the last ten years there has been little or no increase in the quantity of our exports, while during the last five or six years there has been a considerable decrease in many important items. Any increase there has been in the value has been due entirely to increased prices.

According to the Annual Report of the Department of Trade and Commerce the total value of exports of live animals for each of the years since 1900 was as follows:—

EXPORTS OF LIVE ANIMALS.

1901	$11,693,929
1902	13,793,113
1903	13,972,596
1904	12,462,851
1905	13,319,935
1906	13,466,448
1907	12,764,215*
1908	11,130,432
1908	11,798,082
1910	12,107,971

*For nine months.

From a recently issued government report entitled "Wholesale Prices in Canada" it is shown that the average wholesale price of live animals increased 23 per cent. since 1900, in which case the quantity exported has decreased by over 25 per cent. since the high water mark in 1903.

During the same period the value of animal products such as meats, cheese, butter, etc., were as follows:—

EXPORTS OF ANIMAL PRODUCTS.

1901	$39,375,158
1902	41,224,331
1903	50,463,125

1904	46,355,864
1905	43,636,898
1906	46,033,236
1907	36,602,035*
1908	36,751,054
1909	32,050,363
1910	30,806,680

*For nine months.

In the report "Wholesale Prices in Canada" it is shown that the wholesale price of meat has increased over 50 per cent. since 1900. But since Canadian meats are bought by consumers in England for much less than is paid by Canadian consumers, we may assume that the export price of Canadian meats has been less than the wholesale price in Canada. But we can safely take it that the export price has advanced at least 20 per cent. According to the above mentioned report dairy produce has advanced about 22 per cent. since 1900. Taking these increases in prices into consideration the quantity of animal products exported has fallen off fully 50 per cent. since 1903.

The value of the exports of wheat and all other kinds of grain and their products has been as follows:

EXPORTS OF GRAINS AND GRAIN PRODUCE.

Year.	Wheat and its products.	All other grains and their products.
1901	$11,129,410	$7,855,111
1902	22,894,090	5,182,117
1903	29,407,816	5,259,209
1904	19,968,941	4,405,343
1905	18,833,369	3,259,866
1906	40,251,129	3,165,080
1907	24,748,908	3,788,826*
1908	49,314,654	5,630,616
1909	57,028,255	5,465,239
1910	69,311,825	5,408,814

*For nine months.

Taking into consideration the increase in the price of grains, the above figures show a fair increase in the exports of wheat and its products, flour and bran, but in all other grains and their products there has been a decrease of about 50 per cent.

The value of exports, the products of the mine, is as follows:—

EXPORTS OF MINE PRODUCTS.

Year.	Gold.	Silver.	All others.	Total.
1901..	$24,445,156	$2,420,750	$13,501,777	$40,367,683
1902..	19,668,015	2,055,428	13,224,131	34,947,574
1903..	16,437,528	1,802,690	12,824,643	31,064,861
1904..	18,715,539	1,865,528	13,045,672	33,626,739
1905..	15,208,380	2,098,778	14,635,171	31,932,329
1906..	12,991,916	4,310,528	18,157,187	35,469,631
1907..	7,226,954	5,507,259	13,457,742	26,191,955*
1908..	8,817,041	10,755,599	19,604,493	39,177,133
1909..	7,293,420	13,284,094	16,679,185	37,257,699
1910..	6,016,126	15,009,937	19,060,954	40,087,017

*For nine months.

The heavy exports of gold at the beginning of the century are due to the Yukon output and the heavy exports of silver during recent years are accounted for by the output of the Cobalt mines. On the whole it will be noticed that there has been little increase in the value of the total exports of mineral products. In the quantity exported there has been a small increase. Mine products have not increased in price as have the products of other industries. On the contrary, during recent years there has been a decrease in the market price of a number of minerals.

The value of exports, the products of the fisheries, were as follows:—

EXPORTS OF FISH AND FISH PRODUCTS.

Year.	
1901	$10,720,352
1902	14,143,294

1903	11,800,184
1904	10,759,029
1905	11,114,318
1906	16,025,840
1907	10,362,142*
1908	13,867,368
1909	13,319,664
1910	15,663,162

*For nine months.

According to the reports on the "Wholesale Prices in Canada" the wholesale price of fish in Canada has increased about 25 per cent. The wholesale price of fish in the markets of the world, however, has not increased much more than a third of this. But even this small rise is sufficient to account for any increase in the value of our fish exports and to show that there has been no increase in the quantity of fish exported during the last ten years. It will be noticed that the years 1902, 1906 and 1910 show a substantial increase on the years intervening. This is almost entirely due to the fact that every fourth year there occurs what is known as the "big run" of sockeye salmon.

The value of exports, the produce of the forest, is as follows:—

EXPORTS OF FOREST PRODUCTS.

Year.	Products.
1900	$29,663,668
1901	30,009,857
1902	32,119,429
1903	36,386,015
1904	33,091,992
1905	33,235,683
1906	38,824,170
1907	33,476,098
1908	44,170,470
1909	39,667,387
1910	47,517,003

According to the government report "Wholesale Prices in Canada" the wholesale price of lumber has increased about 80 per cent. The rise in prices in the markets of the world has not been nearly so great. But if it were only a fraction of the Canadian increase it would be sufficient to account for any increase there has been in the value of the above exports. Thus there has been no increase in the quantity of this class of exports during recent years. If the exports of pulp wood are omitted there is a decided decrease.

In the Government returns of exports of manufactures, there are included such articles as wood pulp, also rags, cotton waste, scrap iron, junk and the household effects of people leaving the country. These can hardly be considered as being properly placed under this heading. However, the total value of exports under this heading in Government returns are as follows:

EXPORTS OF MANUFACTURED GOODS.

Year.	Exports.
1900	$14,224,281
1901	16,012,208
1902	18,462,970
1903	20,624,967
1904	19,864,049
1905	21,191,333
1906	24,561,112
1907	19,087,988
1908	28,507,124
1909	28,957,050
1910	31,494,916

To sum up:—During the last ten years there has been a decrease of 25 per cent. in the quantity of live stock exported, a decrease 50 per cent. in the quantity of animal products exported, a decrease of 50 per cent. in the quantity of all kinds of grain except wheat exported. The exports of fish have remained practically stationary as have those of the mine and the forest.

(The increase in the exports of wood blocks for pulp has offset the decrease in the quantity of other forest products.) The only commodities, the products of the natural industries of the country, in which there has been any material increase are wheat, silver and pulp and pulp wood, and the increase in quantity of these has been offset by decreases in the quantity of other articles.

On the other hand our imports have been going up at a very rapid rate. In 1901 the value of free imports amounted to $71,303,573. In 1910 the value of free imports was $143,873,547. But more surprising is the fact that the imports of dutiable articles, the manufacture of which our protective tariff is supposed to foster within the country, increased from $115,574,658 in 1901 to $241,961,556 in 1910. More surprising still is the fact that the greatest increases in dutiable imports have not been in specialties but in articles of common use, which could easily be made at home and which, no doubt, would be manufactured within the country were it not for the restraint on production imposed by combines in order to keep up prices to consumers.

With such a rapid rise in the value of material bought, without a corresponding increase in the value of what has been sold, it is only to be expected that Canada would soon pile up against her a considerable balance of trade. The following are Canada's balances of trade for each year since 1897 so far as the value of exports and imports of merchandise is concerned:—

CANADA'S BALANCE OF TRADE.

Year.	
1897.....	$19,915,278*
1898.....	23,597,336*
1899.....	3,178,294†
1900.....	1,912,480*
1901.....	7,630,912*

1902.....	4,012,111*
1903.....	7,008,403†
1904.....	40,281,812†
1905.....	55,053,921†
1906.....	40,281,812†
**1907.....	60,181,766†
1908.....	100,868,912†
1909.....	39,845,800†
1910.....	87,071,110†

*Excess of exports over imports, favourable balance.

†Excess of imports over exports, adverse balance.

**For nine months.

These returns show that during the last seven years Canada has bought $423,852,931 worth of goods more than she has sold. Now it may be asked, How is this very large difference being paid for? It is being temporarily paid for by foreign borrowing. According to the very careful investigation made by the publishers of the "Monetary Times," in five years Great Britain alone has loaned Canada over $600,000,000. In recent years an attempt has been made to slur over these conditions by referring to the adverse balance that is shown in the trade of the United Kingdom. But the cases are not similar. Canada has not the interest on foreign loans and investments, nor the income from a large mercantile marine, nor the profits of extensive international banking, nor the many other sources of income which, in the aggregate, more than liquidate the difference between the exports and imports of the United Kingdom.

Canada has none of these sources of income, but on the contrary has a large annual expenditure in the way of interest on foreign borrowing, which during the last ten years has more than doubled.

The enormous proportion to which this annual payment for interest on foreign borrowing has grown is not generally realized.

According to the latest Government returns, the interest payable in London on the Funded Debt of the Dominion, during the fiscal year 1910, amounted to $10,048,497.97.

In a recent issue of the "Monetary Times" it was stated on the authority of the President of the Canadian Pacific Railway, "that nearly all the Canadian Pacific Railway 4 per cent. perpetual debenture stock and 4 per cent. preference stock is held in Great Britain. Of the common stock, holders in Great Britain have approximately 65 per cent. About 15 per cent. is held on the Continent and the remaining 20 per cent. is divided evenly between Canada and the United States." If this is true, fully $17,000,000 goes out of the country annually in the way of interest to the foreign holders of C. P. R. securities.

Practically all the securities of the Grand Trunk Railways are held in England and the annual interest on these, amounts to over $7,000,000.

These three items alone amount to over $34,000,000. In addition there is the interest on the securities held outside of Canada of each of the provinces and municipalities, railroads other than the two above mentioned and the hundreds of industrial undertakings of one kind or another.

On the whole, it is safe to say that the annual interest for which the people of Canada, in one way or another, are responsible amounts to at least $80,000,000, a very substantial charge on the industry of the country.

It is sometimes contended that Canada's adverse balance of trade is due to her heavy borrowing or again that the failure on the part of her exports to increase more rapidly is due to the increased home demand,

which has been occasioned by a heavy immigration. But if this were true, similar results should be produced in Argentine Republic, where the foreign borrowings have been almost as heavy as those of Canada, and where the increase in population from immigration has been even greater. According to the census of 1908 the population of Argentine Republic was 6,489,023. Her balance of trade has been as follows. The returns are in dollars gold, each dollar being equal to 95¼ cents of Canadian money.

ARGENTINE REPUBLIC'S BALANCE OF TRADE.

Year.	Balance of trade.
1899	68,066,860*
1900	41,115,343*
1901	53,756,363*
1902	76,447,471*
1903	89,777,924*
1904	76,851,356*
1905	117,689,421*
1906	22,283,308*
1907	10,343,686*
1908	93,032,605*
1909	94,600,000*

*Excess of exports over imports, favourable balance.

Two other countries that may be considered in the same category with Canada and Argentine Republic are Australia, with a population of about 4,300,000, and New Zealand with a population of about 1,000,000. Both of these countries have also had a fair share of foreign capital and a considerable immigration during the last ten years. The balance of trade of each of these countries has been as follows. The returns are in pounds sterling of $4.86 2/3 to the pound.

AUSTRALIA'S BALANCE OF TRADE.

Year.	Balance of trade.
1897	£ 5,824,467*

1898	8,683,462*
1899	14,269,346*
1900	4,568,852*
1901	7,262,161*
1902	3,239,137*
1903	10,438,641*
1904	20,465,073*
1905	18,494,304*
1906	24,992,851*
1907	21,015,214*
1908	14,105,000*

*Excess of exports over imports, favourable balance.

NEW ZEALAND'S BALANCE OF TRADE.

Year.	Balance of trade.
1897	£1,747,021*
1898	2,238,429*
1899	3,309,766*
1900	3,015,932*
1901	1,516,394*
1902	2,677,421*
1903	2,895,967*
1904	1,838,720*
1905	3,160,891*
1906	3,689,310*
1907	3,521,934*
1908	1,171,957†
1909	4,818,689*

*Excess of exports over imports.

†Excess of imports over exports.

In none of these three countries has importation of foreign capital or immigration had the effect on the foreign trade which some people claim they have had on the foreign trade of Canada. The fact of the matter is that much of the foreign capital which has come into Canada has not gone into productive development, but has gone to swell the bank accounts of individuals,

while the amount that has been spent on construction and development has fallen far short of accomplishing what it should on account of the high prices of everything.

These high prices have also materially retarded production on the part of those who were already engaged in the natural industries, particularly in those of farming, mining and fishing, as will be shown in the succeeding three chapters.

One of the common contentions of protectionists is that Canada should maintain a high protective tariff so that she may become a manufacturing country and not remain purely agricultural such as Argentine Republic, Australia and New Zealand. If this were a sound economic doctrine, Canada should now, after thirty years of protection, have less imports than Argentine Republic or Australia, which is not the case. Canada has had protection now for over thirty years, yet in 1908, the last year for which the writer has complete returns for Australia, Canada imported $120,000,000 worth of goods more than did Australia, while her exports were $60,000,000 less than those of Australia. In 1909 Canada imported over $75,000,000 worth of goods more than did Argentine Republic, while her exports were $67,000,000 less than those of this South American Republic.

The industrial development in the Argentine Republic, Australia, and New Zealand, has been general and healthy, yet one industry has not been burdened for the sake of another. According to the industrial census taken in 1908, the results of which have just been published, there exist in the Argentine Republic some 32,000 factories giving employment to 327,000 work people. The capital invested in these, was over $330,000,000, and the annual production amounted to over $540,000,000.

Doubtless it will be contended that none of the three countries above mentioned can be regarded as examples of Free Trade. It is true they all have tariffs. But their tariffs are more in the nature of tariffs for revenue than is the Canadian tariff. Again, there are many economic and political factors, such as government ownership and control, government assistance to small producers in the way of loans at low rates of interest, the existence of strong co-operative societies, the disposition on the part of the people to nationalize monopolies and to compel manufacturers to pay salaries and wages proportionate to the advantage which is taken of the tariff to raise prices, and the constant collecting of information regarding the cost of production and living, all of which makes it difficult, if not impossible, for the protected interests to act as they have acted in Canada. Furthermore, most of the protective features of the existing tariffs in any of these three countries, are of recent adoption, and there has not been time for the centralization which characterizes the Canadian protected industries. In this respect these countries are still in the stage, so far as the protective features of their tariffs are concerned in which Canada was during the eighties. Time will tell if the same results will be produced in these countries as have been produced in Canada, the United States or Germany.

CHAPTER V.

THE FARMING INDUSTRY.

Agriculturists form the largest element of consumers as well as being responsible for the greater part of Canadian production. But only a small portion of what a farmer consumes is produced by himself. All his machinery, building supplies, clothes, a very large part of his food, and, to a much greater extent than is generally realized, fodder for his stock are purchased. Among the largest items in the purchases of the Eastern Canadian farmer are bran, shorts and corn, which form an important part of the food he gives his hogs, cattle and fowl. Last year the importations of corn from the United States into Canada for feed and seed purposes amounted to 6,596,640 bushels.

Not many years ago the Canadian farmer lived almost entirely out of his own production. He grew his own wheat, which was converted into flour, shorts and bran at the local grist mill. He grew his own wool which was carded, spun and woven within his home and community, etc. The work done at home that was required for the conversion of these raw materials into food, clothing and other necessaries, supplied profitable employment during the seasons when it was impossible to work on the land and enabled the farmer to keep his family about him much longer than is possible under existing conditions, and hence he required less outside help. The work done in the community, at the local grist mill, woollen mill, wagon shop, butcher shops and stores, kept in the neighbourhood a surplus of casual labour that was available during the spring's work and harvest time.

But the centralization of industry has swept away many of the local mills and shops and carried off to the cities the young men and women to work in large factories and foundries and departmental stores. In the place of these local industries there have come a few machine agents, an occasional visit from the buyers of cattle, hogs and grain, and mails loaded with the mail order packages from large departmental stores.

All this has produced in rural communities, particularly those that are not adjacent to large cities, a social condition that is less desirable and an economic condition that is less profitable.

This centralization of industry should not be confused with what is known as specialization in farming, that is, where one community devotes itself to some particular branch of farming, such as dairying and stock raising, while another concentrates its efforts on grain growing and where the products of each are freely interchanged between themselves and other communities, the surplus of all being exported. Specialization is one of the most natural developments in any agricultural country, and many of the most advanced owe much of their progress to it. In the experience of these countries, however, specialization has not deteriorated the social conditions of any community, but on the contrary has made living in it more attractive by increasing the profits from labour and by raising the value of property. But in many cases, where specialized farming has been attempted in Canada, it has resulted only in putting the farmers more in the hands of middlemen and manufacturers.

One of the common arguments addressed by protectionists to Canadian farmers, is, that the farmers should not complain of the protection which the manufacturers enjoy, because farm products are also protected by a substantial tariff. But of what use is a protective tariff on wheat, when so large a part of it

has to be sold in the markets of the world where the price which it brings is determined by competitive material from every other wheat producing country! The average price which the Canadian farmer receives for his wheat is the same whether for export or for home consumption and on an average is the lowest received by the farmers in any wheat growing country in the world. The duty on wheat has been of no value to the Canadian farmer. That the farmers are beginning to appreciate this fact is indicated by their readiness to have wheat and other products placed on the free list.

But as soon as the wheat passes out of the hands of the farmer and into the hands of the middlemen and the millers and is put on the Canadian market in the shape of flour, bran and shorts, the prices of all these articles are affected by the tariff, and the prices, which the Canadian consumers, including the farmers, pay are the highest paid by any consumers in the world. The prices, at which these middlemen and millers purchase Canadian wheat, enable them to sell flour and other wheat products in the English markets at a good profit. What a profit they must have on wheat they sell to Canadian consumers, who pay much more for these commodities than do English consumers! The same is true of all other commodities, the products of Canada's natural industries.

Thus the agricultural producers are very much in the hands of middlemen and manufacturers whose rules for buying, grading and inspecting keep the actual prices which the farmers receive for the products of their labour down to the minimum; while the prices which they pay for what they buy are the maximum that the tariff will enable these middlemen and manufacturers to exact. A few examples will best show the force of this contention.

According to the Government report, "Wholesale Prices in Canada," the average price of No. 1 Northern

wheat per bushel, at Winnipeg, during the four months of September, October, November and December, months in which most farmers are compelled to sell their crops, either because of the lack of granary accommodation or because of pressing needs for money, were as follows in 1900 and 1909:—

	1900.	1909.
September.	84	96½
October.	88½	96½
November.	81	98¾
December.	76	96
Average.	82⅜	96 15/16

These figures show a gain, in ten years, of only 17 2/3 per cent. In connection with the above prices there are a few important considerations which should not be overlooked.

1st. The actual prices which the farmers received, except those who were in the immediate vicinity of the Winnipeg market, were less than the above prices, and would be less as the distance from Winnipeg increased.

2nd. Only a very small part of the average wheat crop grades No. 1 Northern or even No. 2 and No. 3 Northern. The wheat crop in 1909 was over average both as regards quantity and quality, yet in that year only 12,954,900 bushels graded Northern No. 1 out of a total wheat inspection in Canada of 80,878,603 bushels. The quantities of other grades were as follows: Marnitoba hard No. 1, 166,950 bushels; Hard White Fife No. 1, 15,750 bushels; Northern No. 2, 18,327,650 bushels; Northern No. 3, 17,263,000 bushels, and all other grades 32,149,353 bushels, of which no less than 7,002,740 bushels were graded as "rejected." It is a significant fact that during the last four years, notwithstanding the increase in the western wheat crop, the quantity of No. 1 Northern has rapidly and steadily decreased. The figures are: 1907, 19,664,880

bushels; 1908, 17,947,080 bushels, and 1909, 12,954,900 bushels.

3rd. There are few localities in which the farmers are provided with means for keeping themselves informed regarding the markets and prices of commodities. They are almost entirely dependent upon the advice and offers of local buyers, which often results to the buyers' gain and the farmers' loss. A case has come to the notice of the writer where a farmer in the Province of Alberta received, during the month of December, 1909, $1.15 a bushel for a load of flax. For a second load of the same grade which was brought to the same elevator two days after, he was paid at the rate of 85 cents a bushel, the agent claiming that the price of flax had gone down in the meantime. As a matter of fact the price of flax had gone up.

4th. In recent years the markets for wheat in both Canada and the United States have been so manipulated that the ruling prices were low when the farmers were offering their crop and high after they had sold. Thus in May and June, 1908, the price of No. 1 Northern at Winnipeg was over $1.10 a bushel. But by September it had fallen to 97 cents and did not rise above 99 cents until February, 1909, after which time it rose rapidly until by May the price was $1.20 a bushel. In July it was over $1.32 a bushel. From this point the price dropped sharply and by September was below 96 cents. It did not rise above 99 until after the first of January, 1910.

Thus the quotations in the central markets for particular grades are only indices of current prices and should not be accepted as the actual prices received by the producers. But even this index for one of the best grades of wheat shows an advance of only 17 2/3 per cent. in the price of wheat in ten years.

On the other hand, the volume, "Wholesale Prices in Canada," shows a very material increase in the price

of flour, bran and shorts. The following are the average wholesale prices at Toronto for the years mentioned:—

	Price in 1900.	Price in 1909.	Gain.
Flour per barrel.....	$ 3.38	$ 5.22	54½%
Shorts per ton.....	15.04	23.97	59½%
Bran per ton.....	13.20	22.02	67½%

In connection with these figures it must not be overlooked that they are the wholesale prices at Toronto; and hence are much lower than the actual prices paid by consumers, particularly those in outlying rural districts. While the prices which consumers pay for what they buy vary directly as their distance from the central markets, the prices which they receive for the products of their labour vary in the inverse ratio. A short time ago the writer was in conversation with a farmer who had just shipped a load of hogs, for which he had been paid at the rate of $8.50 per hundred, live weight. At the time of the conversation the farmer was returning home from the local station with a load of shorts and bran for which he had paid $28.00 and $26.00 a ton respectively, and corn, for which he had paid 76 cents a bushel. At that time the price of hogs in Toronto was $9.25 a hundred and shorts were selling in the same city for $24.00 a ton. In the conversation the farmer put the present situation in a nutshell when he said that ten or twelve years ago, when he was able to buy shorts at eleven and twelve dollars a ton and corn at 35 cents a bushel and sell his hogs for $5.00 and $5.25 a hundred, he made money. But to-day at the prices he had to pay for shorts and corn and the price he received for his hogs he was losing money. If this farmer lost money at the then price of hogs, what a heavy loss will be entailed upon those who did not sell at that time. Since then the price of live hogs in Toronto has fallen to under $7.00 a hundred. This is

always the result of abnormal conditions and no class suffers from it so much as does the agriculturist. It takes months for the farmer to get his goods ready for a market and when he does the market may not be there. But the large slaughtering houses with their cold storage capacity and unlimited credit at the banks are in a position to take advantage of a market on a moment's notice, to buy when the price of hogs is low and hold supplies until the price of pork is high. They are even in a position to create conditions to suit themselves.

In the same way the price of the best grades of fat cattle has advanced much less during the last ten years than has the price of beef. In the lower grades of raw cattle there has been little or no increase in price. With regard to the lower grades of raw cattle the Canadian farmer is in very much the same position as the farmer of the United States was found to be by the Commission that was appointed by the Agricultural Department at Washington to examine into the meat conditions of the United States.

Up to 1906 the exports of meats from the United States increased steadily, but after that year they declined sharply. For some time it was thought that increased home consumption was responsible for the decrease in exports. But the report of the Commission, which was made public about a year ago, showed that instead of an increase in home consumption there had been a decrease and that the decrease in both home consumption and exports was due to a rapid decrease in production. In dealing with the causes for this decrease in production the report in part says as follows:

"In the upward movement in beef prices, under the circumstances described, the farmer has not shared equally with the packer, wholesaler and retail dealer. His raw cattle are barely as valuable as they were nine or fourteen years ago." Another quotation from this

report that deserves reproduction here is: "Everywhere appears the general fact that the lower the grade of beef, the greater is the percentage of gross profit (to the middleman). In other words, perhaps it is a safe inference that the poorer people pay nearly twice the gross profit that the more well-to-do people pay."

In order to understand how this latter quotation describes conditions in Canada one has only to visit the stock markets of Toronto and Montreal, where he will see large numbers of low grade cattle selling for from $1.00 to $3.25 a hundred. The writer has not been able to discover any beef or beef products that are offered to consumers at proportionately low prices.

A few further quotations from the government volume on "Wholesale Prices in Canada" will serve to indicate how the cost of living has been affected during the last ten or fifteen years. It should be kept in mind, however, that these prices are based upon current wholesale quotations and upon returns received by Mr. R. H. Coates, the author of the volume, from Canadian manufacturers and wholesale dealers. The increase in the retail prices which consumers paid for the following articles would be considerably greater.

"*Pork.*—Salt pork per barrel sold for $10 in December 1896; it reached $31 per barrel in October and December, 1909. For 1909, the average was $25.58, that is 57.1 per cent. above the average for the decade 1890-1899, and 198 per cent. above the low year, 1896.

"*Oatmeal.*—The high years for oatmeal were 1907, 1908 and 1909. In the last, the price was 43 per cent. above that of the base decade, 1890-1899, and approximately 87 per cent. above that of the low year, 1896.

"*Woollens.*—The final results show that prices were highest in 1906 and 1907, and lowest in 1902, the advance in five years amounting to approximately 50 per cent.

"*Cottons.*—The average yearly price of 150 lines of Canadian cottons manufactured by the Dominion Textile Company, Limited, has increased from 18-19 cents per pound during the years 1895 to 1899 to 23-25 cents during the past four years. In the case of coloured cotton fabrics the low years were from 1895 to 1900 with prices in the neighbourhood of 25 to 27 cents a pound. The high years were from 1905-1909 when prices ranged from 33 to 36 cents a pound.

"*Boots and Shoes.*—The three representative lines chosen for the purpose of the investigation were a heavy working boot, a box calf blucher bal. Goodyear welted, and a woman's dongola bal. fair stitched. The two latter showed very much the same movement namely, a steady increase amounting to between 20 and 25 per cent. during the past twelve years. The heavy working boot, however, shows a much more rapid advance, the increase in 1907, 1908 and 1909 prices being approximately 50 per cent. compared with prices during the decade 1890-1899.

"*Lumber.*—Perhaps the best criterion for lumber tendencies are the figures obtained from certain large manufacturing concerns of the Ottawa Valley, showing the average price at which their entire cuts were disposed of from year to year since 1890. These figures show a raise from $12 per thousand feet in 1890-2 to $21.50 per thousand in 1907, an increase of over 79 per cent.

"*Bricks.*—Common building bricks were 46 per cent. higher in 1909 than in the decade 1890-1899. Since 1898, the low year, they have risen over 70 per cent. Fire bricks, on the other hand, have gone down, as compared with the decade, by 8½ per cent." (It should be noted here that on common building bricks there is a substantial import tariff while fire bricks come in free.)

"*Window Glass.*—The 1909 prices were over 90 per cent. higher than those of 1895. Prices were higher in 1890, but declined rapidly during the ensuing five years.

"*Cement.*—Canadian Portland cement was lower in 1909 than in any previous year quoted, being 37 per cent. below the decade in 1890-1899."

Cement is one of a number of commodities, the manufacture of which has cheapened very materially during the last ten years. The most satisfactory way of ascertaining the disadvantage at which Canadian users of such materials are placed is to compare the price paid for those materials in Canada with those paid for them in other countries. As a matter of fact this is the way in which all Canadian prices should be compared.

A few days ago the writer visited a farm, not more than forty miles from one of the largest cement factories in Canada. The farmer was building a hog pen, and for the cement used he was paying $12.16 a long ton. The price of the same class of cement in England is about $5 a ton. In the United States it is about $8 a ton. The price of cement in Demark, against the exports of pork, cheese, butter, eggs, etc., from which country the Canadian farmer has to compete in the English markets, is $6.50 per ton.

With regard to the cement industry of Denmark the following extract from the last report of His Majesty's Consul at Copenhagen is instructive.

"The Danish cement industry, which has now reached a high pitch of excellence, has been gradually built up during the last twenty years, often under considerable difficulties and without any support from the State in the shape of a protective duty, but, on the contrary, having to contend against keen competition from neighbouring countries, such as Great Britain, Belgium

and Germany, which formerly provided Denmark with a large proportion of the cement used.

"A drawback to the success of the Danish cement trade lies in the circumstances that the country is devoid of water power and coal, so that fuel, which forms so important a factor in the industry, has to be imported from abroad. Until January 1st, 1909, when the duty on coal was withdrawn, the cement manufacturer had to pay dear for his fuel. In spite of these difficulties, the Danish cement industry has gained ground so rapidly that it is now able to compete with the industries of the neighbouring countries.

"It may be justly claimed that the Danish cement industry to-day rests on a sound foundation. Its present capacity is about 2,600,000 barrels per annum, or considerably more than twice the consumption of the country. The balance of the production is exported."

The prices which the Canadian farmer pays for his agricultural machinery, wagons, and other supplies are from ten to thirty per cent. higher than producers of competitive products in other countries pay for the same class of article, or even for the same Canadian-made article.

As well as the cost of food, clothing and supplies, all other items of expenditure, such as farm labour, interest on mortgages and taxes for local and other improvements, have materially increased, until the outlay of most farmers exceeds the receipts from their farm products.

The farming industry is no different from any other in that as soon as it is found to be unprofitable, the expenditure that is necessary to increase or even maintain the output is curtailed and production falls off.

The first to feel the pinch of such a condition is the small and less efficient farmer, who, finding it necessary to augment his income, grasps at every oppor-

tunity to earn an extra dollar and a diffusion of effort results that is not healthy in any industry, much less that of farming. The farms are more carelessly worked and the stock gets less attention, both of which result in decreased production.

In a previous chapter a general reference was made to the decrease in exports. The following are the exact quantities of the articles mentioned, that have been exported during each of the last ten years, as they appear in the latest returns from the Department of Trade and Commerce.

The exports of live animals and meats of all kinds have been as follows:—

EXPORTS OF LIVE ANIMALS AND MEATS.

Year	Total No. Live Cattle, Sheep and Hogs Exported	Total Export of Beef Mutton and Pork in Tons
1901.....	657,352	66,192
1902.....	667,511	67,167
1903.....	956,585	84,961
1904.....	612,926	86,115
1905.....	562,771	87,779
1906.....	532,951	66,222
1907.....	505,480	45,990*
1908.....	494,484	56,154
1909.....	371,883	44,141
1910.....	274,127	30,565

*Nine months.

The exports of animal products and eggs have been as follows:—

EXPORTS OF CHEESE, BUTTER AND EGGS.

Year	Cheese in Pounds	Butter in Pounds	Eggs in Dozens
1901.....	195,926,397	16,335,528	11,363,064
1902.....	200,946,401	27,855,978	11,635,108
1903.....	229,099,925	34,128,944	7,404,100

1904.....	233,980,716	24,568,001	5,780,316
1905.....	215,733,259	31,764,303	3,601,427
1906.....	215,834,543	34,031,525	2,921,725
1907.....	178,141,567	18,078,508	2,591,205
1908.....	189,710,463	4,786,954	1,365,890
1909.....	164,907,139	6,326,355	552,850
1910.....	181,075,367	4,656,120	164,835

From all available returns for the current year, it would appear that these decreases are still continuing and that in some commodities the falling off this year will be quite as large as any yet. For instance, the number of cattle exported from Montreal since the 31st of March, which was the end of the fiscal year 1910, shows a decrease of over 25 per cent. on the shipments from that port during the previous year. The exports of butter have fallen off over 40 per cent. The exports of cheese show a small increase, but the rapidity with which this is being cut down from week to week would indicate that by the end of the fiscal year it will be turned into a decrease. The stocks on hand are much lighter than at this time last year. Our exports of eggs, of course, disappeared entirely some months ago, and we are now importing instead of exporting this commodity.

That there should be any falling off in this class of exports, much less such serious decreases as have occurred, is very much to be regretted. Transportation facilities and markets for such commodities as meats, cheese, butter and eggs, require time and much expenditure to establish and build up. And it is neither pleasant nor profitable that after all the public expenditure necessary to the establishing of cold storage facilities and fast steamship service and for building up markets, the Canadian producer should be compelled, because of the unfavourable economic conditions, to cease producing and to allow his expenditure for transportation facilities to go for naught, while

other countries come in and take advantage of the markets he has created.

The decrease in the annual imports of Canadian cheese into the English market, between the years ending with June 30th, 1904 and 1910, amounted to 18,645 tons. The decrease in the annual imports of cheese from the United States into the English market during the same time was 12,634. During the same time the increase in the annual import of cheese from New Zealand has been 18,540 tons.

The rise in the price of cheese after 1904 and particularly since 1906 was very largely due to the decrease in the amount of the Canadian and United States article that came upon the market, without a corresponding increase in offerings from other countries. But so rapid has been the increase in the New Zealand output that she, together with some increases elsewhere, has almost brought the supply up to its former level. This no doubt accounts for the weakening in the price of cheese during the current year. From now on, should the output of Canadian cheese increase or even remain the same, the Canadian producers will have to contend with the producers in New Zealand for the English markets. The success of either must necessarily depend very largely upon the more favourable economic condition under which either works.

Between the year ending with June 30th, 1906, and the same year 1910 the annual imports of Canadian butter into the English market decreased by 13,983 tons, and of butter from the United States by 8,441 tons. During this time these deficiencies have been fully made up by increased offerings from Australia, New Zealand, Denmark, Russia and Sweden and Ireland.

In the same way the very large decrease in the imports of live animals and all kinds of meats from

Canada and the United States into Great Britain has been made up by increased imports from Ireland, Denmark, Russia, Argentine Republic, Australia and New Zealand. The annual imports of beef from Argentine Republic alone increased by 152,797 long tons between 1903 and 1909. The imports of beef from New Zealand increased by 14,727 tons and from Australia by 16,696 tons. The decrease in bacon, hams and pork from Canada and the United States has been offset by corresponding increased imports from Denmark, Ireland, Russia and the Netherlands. In the matter of mutton, of course, New Zealand, Australia and Argentine Republic continue to hold the market, as they do also in the matter of wool. Even in the matter of wheat, the only farm commodity in which Canada has shown any substantial increase in exports, the other new countries have also made substantial gains. The imports of wheat and flour expressed in the gain equivalent into Great Britain during 1909 from Argentine Republic, Canada and Australia were as follows:

	Wheat and Flour.
Argentine Republic.	20,156,000
Canada.....	19,476,000
Australia.	10,424,000

Thus the deficiencies in the markets of the world created by large decreases in the exports from Canada and the United States, and which were the prime causes for any increase in the prices of foodstuffs in Great Britain have been filled by increased offerings from other countries, that have taken the full benefit of the higher prices, and when Canada attempts to regain her position in these markets she will be met with keen competition.

The contention that the decrease in Canadian exports is due to the greater demands which increased population is making upon the Canadian producers has little to support it. In the first place the increase

in the Canadian population on account of immigration is not as large as is generally believed, which mistaken belief, no doubt, is due to the fact that the Government reports do not take into consideration the numbers of people that have emigrated from Canada. In the second place, it is not an established fact that increase in immigration means a decrease in exports. The experience of most countries, including that of our own Western Provinces of Saskatchewan and Alberta show that immigration means increased production.

But there is little need for indirect argument when so much direct evidence is to be found in the returns of many of the Provinces, showing conclusively that the falling off in Canadian exports is due to decreased production.

According to the reports of the Bureau of Industries for Ontario the cheese production of that Province decreased from 165,306,573 pounds in 1903 to 125,611,359 pounds in 1909. During the same period the production of butter factories decreased from 10,812,126 pounds to 9,015,206 pounds. During the last three years the decrease in the number of milch cows in the province was 76,575, and of all other cattle 181,077. The decrease in hogs in the same time has been 498,479. During 1909 there were 1,093,479 fewer hogs slaughtered and sold than during 1906. From 1901 to 1905 the number of sheep in the province decreased from 1,761,799 to 1,324,153, and by 1909 had further fallen to 1,130,667. In the first period the number slaughtered and sold fell from 729,148 to 603,736, and in 1909 there were only 533,441 killed and sold.

The same report shows that the acreage under wheat in Ontario, which in 1900 was 1,445,595 acres, by last year had fallen to 798,536 acres. Since 1900 the acreage under peas has decreased from 661,592 to 381,609, rye from 142,213 to 94,661, corn for husking from 330,772 to 322,789. The acreage under barley in

1900 was 577,810; this increased to 772,633 acres in 1905, but by 1909 it had fallen back to 695,262 acres. The acreage under oats in 1900 was 2,398,834; this increased to 2,932,509 in 1906, but fell back to 2,695,585 in 1909. The acreage under beans in 1900 was 44,053; this increased to 51,272 in 1906, but fell back to 45,029 in 1909. Potatoes in 1900 occupied 163,754 acres and in 1907, 177,186 acres, but in 1909 had fallen back to 169,695 acres. The acreage under carrots show a steady decrease from 10,320 in 1900 to 3,506 in 1909. Turnips also show a steady decrease from 156,583 acres in 1900 to 113,400 in 1909. The acreage under mangel-wurtzels was 54,543 in 1900, 80,918 in 1903, but by 1909 had fallen back to 70,488. The acreage under hay and clover in 1900 was 3,133,045; by 1905 this had increased to 5,847,494 acres, but by 1909 the acreage under hay and clover was only 3,885,145. The acreage under orchards in 1900 was 339,411. This gradually increased until in 1904 it amounted to 369,495, since when it has constantly decreased until in 1909 the acreage under orchard was only 300,364, the lowest since the Bureau began to record this item in 1895. The acreage under vineyards in 1900 was 10,687. This increased to 15,269 in 1903, but receded to 11,420 in 1909. The number of colonies of bees in the province in 1900 was 216,734. In 1909 there were only 170,038.

This condition which exists in Ontario is also to be found in all the older provinces of Nova Scotia, New Brunswick, Prince Edward Island and Quebec. It is even beginning to set in in the newer provinces. For instance, the wheat acreage of Manitoba in 1906 was 3,141,537 acres. But according to the report of the Department of Agriculture for the Province, which has just been issued, the acreage under wheat in 1909 was

only 2,642,111. A paragraph from this report is as follows:—

"There is an increase in the acreage under the following:—Oats, rye and peas, while wheat, barley, flax, cultivated grasses, potatoes and roots show a decrease. On the whole there is a decrease in the total acreage under crop of 818,611 acres."

This report also shows that the production of cheese in the Province of Manitoba was 49,906 pounds less in 1909 than in 1906, and the production of butter 634,867 pounds less. Since 1907 the number of cattle in the province has decreased by 91,342. Judging from the rate at which whole herds of cattle are being shipped out to the Toronto and other markets, particularly from Southern Manitoba, where the wheat crop this year was a partial failure, it is safe to predict that the returns for 1910 will show a further decrease in the number of cattle in the province. If the farmers are in a prosperous condition and have made money during the last two or three good years, it is difficult to understand why one bad year should force them to sell off their herds of cattle. It will take the province years to recover from the depletion of cattle.

If it were not for the two new Provinces of Saskatchewan and Alberta, Canada would cut as sorry a figure in the production of grain as she does in dairy and other agricultural products. The circumstances which continue to increase the wheat acreage of Saskatchewan and Alberta are quite artificial, and if nothing is done to improve the condition of the Canadian farmer before these artificial conditions are removed the decrease in the agricultural production of these provinces will be even greater than it has been in any of the older provinces. Owing to their greater distances from the markets the producers in these provinces receive less for their products, while paying more for what they have to buy, than do those of the Eastern

Provinces. The very large sums of money that are being spent in these two Western Provinces on railroad building and the speculation in the new lands that are thus being opened up, coupled with a high-pressure and expensive system of emigration have produced an artificial condition that cannot be expected to last.

This very serious falling off in agricultural production is not due to any lack of industry on the part of the Canadian farmer; neither is it due to any lack of agricultural education or technical direction, because in this respect Canada is as well equipped as any country in the world, and much better than most. There is only one cause, and it may be seen in whatever direction one chooses to look, viz., the excessive cost of living and production, without a corresponding increase in the value of agricultural products.

CHAPTER VI.

THE MINING INDUSTRY.

No industry has suffered more from high prices and profited less from the considerations that produced them than the industry of mining.

Unlike the farmer or the fisherman the miner has to buy *everything* he consumes. No part of his food, his clothing, his machinery and other necessaries are the products of his chosen vocation. Of all these commodities, particularly machinery, he requires a class of article that bears the heaviest rate of import duty and hence the prices he pays are the highest.

On the other hand no producer has profited less from the home market, to the protection of which the high prices are due, than the miner. At first thought this may seem strange, particularly when it is remembered that the markets for the products of the mine are dependent almost wholly on the manufacturing industry.

The people of Canada have maintained a protective tariff for over thirty years, with the one avowed object of building up a manufacturing industry; and yet at the end of that time this industry is of little value to the development of her mineral resources. The products of the mine even in their most finished state form the raw material of the manufacturing industry. But practically all of this class of material which is required by the manufacturers of Canada is imported from abroad, while the Canadian miners have to dispose of their products in the markets of the world.

The value of Canada's mineral output during the calendar year of 1908, the last year for which we have

complete and revised returns, is generally spoken of as being $85,927,802. But few people realize that this is simply the estimated value of the mineral contained in the ore and matte and does not represent the return which the country actually received. A ton of ore which contains an ounce of gold may be spoken of as having a gold value of $20, but the market price of this ton of ore is very much less. The market value of the mineral output of Canada for 1908 did not exceed $73,000,000, of this over $10,000,000 represents the value of such articles as building stone, sand, lime, bricks and cement; and over $25,000,000 the value of coal. The balance, or about $38,000,000, represents the market value of all other minerals. The total value of the exports from Canada of all minerals outside of building stone, sand, lime, cement and coal in 1908 was $32,768,062, or over 85 per cent. of the total production of this class of minerals.

An examination of a few of the principal branches of the mining industry will best show what a disadvantage the Canadian miner is labouring under and how seriously the present economic condition is retarding the development of the country's mineral resources. In making this examination some evidence will be presented which goes to show that Great Britain forms the most important market for mine products and that under proper economic conditions which would permit the mine products of Canada to be carried to a higher state of finish within the country and with more equitable freight rates and port facilities, England would be Canada's best market for the products of her mines.

The success of a mining venture, as that of any other industrial undertaking, depends upon being able to market the products at a price sufficiently above the cost of production to leave a reasonable margin of profit. Or it might be more correct to put it the other way, and say, that the success of a mining venture de-

pends upon being able to keep the cost of production sufficiently below the selling price of the products to leave a reasonable margin of profit, because there is one mine product, viz., gold, for which there is always a market, irrespective of the quantity produced.

GOLD.

Gold is the standard of value for the great majority of nations and in all countries it is the only recognized medium of international exchange. For this reason its principal use is in the making of coins for general circulation or to be held by governments as a basis on which to issue paper currency or other symbols of value.

Although England produces little or no gold herself, yet London is the world's market for the metal. Over fifty per cent. of the world's production passes through her markets and practically every sale made in any part of the world is based upon the price of gold in London.

By an Act of the British Parliament the Bank of England is compelled to buy all refined gold offered to it and to pay for the same, in Bank of England notes, £3 17s. 9d. ($18.92) per standard ounce troy. By the same Act the Bank of England is compelled to redeem all its notes in gold. Also by an Act of the same Parliament the London Mint is compelled to convert into coin at the rate of £3 17s. 10½d. ($18.95) per standard ounce troy, which is equal to $20.67 per ounce troy of pure gold, without any charge or reduction whatever, all gold offered to it, the average fineness of which is not less than standard, viz., 916.6 in the 1000. By reason of these two Acts London is a great reservoir into and out of which gold flows freely. In fact "London is the only free market for gold in the world. In France the Bank charges a premium, varying from 2½ to 6 per mille, on gold for export purposes. In Germany there exists an equally formidable deterrent to

the export of gold. In England there is nothing of this kind, the trade in gold is absolutely free.''*

There is; therefore, always a market for gold, irrespective of quantity produced. The price in London is never below $18.92 per standard ounce troy, and the price in any other part of the world should not be less than this by more than the cost of carrying the gold to London. There are certain times, however, during which the price of gold may be higher in other parts of the world than in London. For instance, it will be higher in New York, if the balance of trade between New York and London is in favour of New York, because, in that case, conditions are such, or becoming such, that gold will require to be shipped from London to New York in order to liquidate the trade balance.

Until very recently the producers of gold in Canada had little or no facilities for marketing their products. The banks and the jewelry shops were the only purchasers within the country, and these bought the gold from the small producers at practically their own prices. The larger producers shipped directly to the mints and refineries of the United States, through the agencies of either the banks or express companies. But in 1904 a refinery was established at Trail, B.C., by the Consolidated Mining and Smelting Company, Ltd. About the beginning of 1909 the Mint at Ottawa began to receive gold. During the last few years the Government Assay Office in Vancouver has also received, assayed and purchased gold bullion. Thus the Canadian producers of gold are at present much better provided with means for marketing their products and for getting a fair price for them than they were up to a years ago.

The refinery at Trail and the Assay Office at Vancouver and most of the larger producers sell their gold

*A. Andreade's ''History of the Bank of England,'' pp. 317.

to the refineries in the United States or to the United States Mint, because they can do as well or better by selling directly to a country that requires gold than by having it converted into coin in Canada. According to the regulations governing it, the Mint at Ottawa accepts all gold offered and converts the same for the depositor into coin, "as far as may be practicable," and the balance is paid by cheque at the rate of £3 17s. 10½d. ($18.95) per standard ounce troy. A charge from 3 to 11 cents per ounce is made for assaying, refining, and coining. During the year 1909 the following were the receipts of Canadian gold at the Ottawa Mint:—

Province.	Amount, ounces.
British Columbia	80
Nova Scotia	3,185
Ontario	1,715
Yukon	94
Total	5,074

This is only about 1 per cent. of the estimated gold production of Canada during 1909.

There is very little demand for gold in Canada, as the requirements for either manufacturing or currency purposes are small. The banks are not required to keep any gold reserve against either their note issue or deposits. On the 31st of last August the total amount of specie and bullion held by the Receiver-General and Assistant Receivers-General of Canada against Dominion notes and Post Office Savings Deposits was $74,603,302.24. Of this amount over $70,000,000 was gold coins of the United States. On the same day the total amount of specie and bullion in the banks was $28,686,490, a large part of which was silver subsidiary coins. Against this there were outstand-

ing demand liabilities in the shape of notes and bank deposits alone as follows:—

Dominion notes held by the public	$14,113,712
Bank notes held by the public	81,321,439
Deposits by the public payable on demand	256,613,172
Total	$362,048,323

That is, the total reserve both of gold and silver in coin and bullion in Canada is less than 29 per cent. of her total liabilities "at call." For the sake of comparison it is interesting to note that on the 30th of June, 1909, the Commonwealth of Australia held £26,297,843 in coin and bullion, or over 52 per cent. of her liabilities "at call," which amounted to £50,323,261. On the 30th of September, 1909, the gold reserves held by Argentine Republic amounted to $243,298,921. Of course, all the older countries hold very large reserves. But the point the writer desires to make here is that the home market for gold is very small. Practically all the gold produced in Canada is exported and what little the country requires is imported in the form of foreign gold coins.

PRODUCTION OF GOLD IN CANADA BY PROVINCES IN 1902 AND 1908.

Province.	1902, ounces.	1908, ounces.
Nova Scotia	30,348	11,842
Quebec	391	nil
Ontario	11,118	3,212
Alberta	484	50
British Columbia	288,383	286,858
Yukon	701,437	174,150
Total	1,032,161	476,112

During recent years Canada has experienced a very rapid decrease in her production of gold. This decrease is not confined to any one province, but has

been general throughout the country.

Now what has been the cause of this serious falling off in the production of gold? It cannot be the markets, for there has been no decrease in the price of gold nor any hesitation on the part of the markets to absorb as much as can be produced. No one will admit that the Canadian deposits have been exhausted, and if he does there is abundant evidence in the many reports of reliable engineers to prove that this is not so. It is a significant fact that the production of gold in Canada has decreased in almost the same ratio as the increase in the cost of living and production.

SILVER.

Practically all countries require silver for coinage. In those where gold is the standard, large quantities of silver are required for subsidiary coins. In other countries silver is used instead of gold for reserve purposes as well as for coins. But as a medium of international exchange the value of silver is little more than that of wheat, cheese or any other marketable commodity, for the reason that its value depends upon the supply and the demand.

India and China are the largest buyers of silver for monetary purposes and their requirements form the most important factor in determining the market value of the metal.

For silver as for gold, London is the world's greatest market, and fully three-quarters of the total production is bought and sold there. The London quotation is in pence per troy ounce standard, that is 925 in the 1000. To get the equivalent New York quotation, which is in cents per troy ounce fine, it is necessary to multiply the London price by 2.192. This, of course, will give the exact New York quotation, only when exchange is at par. The balance of trade between New York and London and the local supply and demand

always exercise a greater or less influence on the New York price of silver as it does on the price of any other marketable commodity.

The total production of silver in Canada during 1908 was 22,106,233 fine ounces, of which 11,168,689 fine ounces was exported in the ore and the balance was refined at Canadian smelters. Practically all the bullion produced by these smelters is also exported because the requirements of silver in Canada are small either for the purpose of manufacture or coinage. During 1909 the Mint at Ottawa purchased only about 375,000 ounces of fine silver. On the 31st December, 1909, the total amount of Canadian silver coins in circulation was $13,176,476, of which only $648,700 had been added during the previous year.

The point to be noticed here is that the home market is of little value to the Canadian producers of silver; nearly all their product has to be exported either in the ore or in the form of bullion.

During the last few years the production of silver in Canada has increased considerably, due entirely to the discovery of exceptionally rich deposits in Cobalt and vicinity. Not a single ounce of this increase can be credited to the improving of conditions, which would enable the older deposits to be better worked. On the contrary, the increasing cost of production has made it more and more difficult to work the older deposits and hence the production from these has been rapidly decreasing as may be seen from the following:

THE PRODUCTION OF SILVER BY PROVINCES IN 1902 AND 1908

Province.	ounces. 1902,	ounces. 1908,
Ontario (outside of Cobalt)	145,000	nil
Quebec	42,500	13,299
British Columbia	3,917,917	2,631,389
Yukon	63,000	33,304
Total	4,168,417	2,677,982
Cobalt, Ontario	nil	19,398,545

Between the years 1902 and 1908 the average New York price per ounce of fine silver was as follows:—

	Cents per ounce fine.
1902	52.16
1903	53.45
1904	57.22
1905	60.35
1906	66.78
1907	65.86
1908	52.86

Hence the decrease in production from the older districts cannot be due to a falling market, because on the whole the average price of fine silver has been higher since then during 1902.

There is little doubt but that the increasing costs of living and production has had its effect on the mining of low grade silver ores; and that much of the decrease in production that has been so general throughout Canada outside of Cobalt may be charged to this cause.

COPPER.

The world's production of copper in 1908 was 843,549 short tons. Of this the United Kingdom, Germany, France, Belgium and the Netherlands together produced less than 40,000 tons. On the other hand these countries consumed over half of the world's production and are therefore entitled to be regarded as the best market for the surplus of copper producing countries. The imports of copper into the United Kingdom alone during 1908 amounted to over 225,000 tons, valued at £11,544,227.

According to the chief statistician of the Department of Mines, Ottawa, the total copper production of Canada in 1908, based on smelter returns, was 52,928,386 pounds. The total exports of copper during the same year was 51,136,371 pounds, or nearly 97 per

cent. of the output. This is a very peculiar condition and one that shows how little value the home market may be to the development of the country's natural resources even when the requirements of that market have grown to considerable proportion. Owing to the development of her water powers and the consequent increase in her requirements for electrical purposes, Canada has become an important factor in the world's consumption of copper. But very little of this consumption is taken from her own production. It is practically all imported. Furthermore the greater part of these imports is in as high a state of finish as the tariff will admit free of duty, which would indicate that the so-called copper manufacturing establishments which supply the Canadian consumers with copper articles are little more than finishing shops that exist solely for the purpose of making a profit by reason of the tariff, without making any effort to broaden the basis of the industry so that it might continue in the event of the tariff being reduced. That this is so will readily be seen from a review of the imports which during 1908 were as follows:—

IMPORTS OF COPPER IN 1908.

Article.	Duty.	Lbs.	Value.
Copper, old and in scrap or in blocks	free	193,800	$36,016
Copper, in pigs or ingots	"	3,418,700	614,581
Copper in bars and rods, in coils or otherwise, in lengths not less than 6 feet, unmanufactured	"	8,388,300	1,749,458
Copper in strips, sheets or plates, not polished or coated, etc	"	2,955,400	688,539
Copper tubing in length not less than 6 feet and not polished, bent or otherwise manufactured	"	509,227	143,140
Copper rods for use in calico printing	"	.....	2,831
Copper and manufactures of nails, tacks, rivets and burrs or washers	30%	.....	2,693

Wire, plain, trimmed or plated	15%	210,596	39,055
Wire cloth, etc.	25%	.....	3,816
All other manufactures of, N.O.P.	30%	.....	83,528
Total		15,675,923	3,363,657

The hard facts of such a situation are that the Canadian producers of copper have to sell their copper in the markets of the world at whatever price the world's production establishes. But if these producers require a few copper washers or a piece of copper pipe which the local manufacturer makes from copper strips or tubing imported free, and stamped by an inexpensive punch or otherwise brushed up by the cheapest labour, they are compelled to pay for these articles 30 per cent. more than they could buy them for in the markets of the world. If they desire a piece of wire cloth, of which a good deal is used in mining, they are compelled to pay a price 25 per cent. higher than they would if they were free to buy it where they sell their copper, simply because it is considered advisable from a national point of view to maintain this high protective duty in order to keep a few girls employed in converting imported wire into cloth.

Such a duty cannot be justified by the amount of revenue it produces because the total revenue received by the Dominion Government from the above imports does not exceed $33,000, whereas the extra tax it means to the Canadian consumers is a very much larger amount. The difference, of course, goes into the pockets of a few manufacturers. A duty levied for revenue purposes only, would not require to be more than one per cent. on the total imports of copper in order to produce as much revenue as does the present protective tariff on the manufactures of this metal.

ASBESTOS.

Few Canadian enterprises present more graphically the story of the effect which the new economic

conditions have had upon Canada's natural industries than does the development of her asbestos deposits.

At the time asbestos was discovered in the Province of Quebec, Italy was supplying the world's requirements of this material. Deposits in other countries were known, but the limited market and the high cost of production and transportation made the working of any outside of Italy unprofitable. But as soon as the vast and rich deposits in Quebec were opened up the whole industry assumed a new aspect. Natural conditions in the Canadian field were such that new methods in both mining and milling could be introduced. Prices were lowered and a greater number of grades offered, two factors that resulted in very materially increasing the market and at the same time making it more difficult for deposits in other parts of the world to be worked.

Up to 1896 the Canadian asbestos industry experienced, on the whole, a very healthy development. The output had grown from 380 tons in 1880, to 10,892 tons, and competition had been so eliminated that Canada was producing practically the whole of the world's supply. About this time, however, a new influence began to make itself felt, namely, an increase in the cost of production. During the succeeding five or six years this cost continued to advance and with it went a corresponding increase in the price of the material, particularly in the higher grades. There were already established, both in Europe and United States, many industries that were almost solely dependent upon the Canadian producers for the higher grades of asbestos, and it was an easy matter for the producers to raise the prices of these grades. With the lower grades, known as "mill stock," it was different. Costs in these may be kept down by increasing the output so long as the market will absorb them, and this was the policy adapted.

By the end of the nineties, however, the prices of the higher grades had reached a point where deposits in other parts of the world could be profitably worked. At first the output of foreign countries was so small that it did not materially effect the markets, but it increased rapidly and by 1903 Russia and South Africa were producing almost as much of the superior grades as Canada. From this time on Canada's production of these grades has practically remained stationary; if anything, it has decreased, while the output of these grades in other countries continued to grow until in 1908, Russia and South Africa together were producing over 14,000 tons of the superior grades as against Canada's 8,628 tons of Nos. 1 and 2 crude and No. 1 fibre. Of course, in 1908 in addition to these superior grades Canada produced 57,919 tons of paper stock, worth on an average $25.20 a ton, and 24,225 tons of asbestos sand worth on an average 74 cents a ton. But in the production of these low grades there is little profit; so little that it would not pay to produce them alone.

During the years when the supplies from other countries were cutting into the markets, the cost of production in Canada was rapidly going up until by the end of 1908 the net profit from the Canadian industry had been reduced to a point that left only a fair profit on the actual investment. At this juncture many of the owners began to show a disposition to realize on their holdings, which disposition rapidly grew until the latest stage of the new Canadian industrial development was reached and many of the best properties passed out of the control of those who had made the industry, into the hands of a group of bankers and brokers whose main object was to exploit the asbestos industry in general and their newly acquired properties in particular for the purpose of unloading stock certificates on the public.

The Amalgamated Asbestos Corporation, with its $25,000,000 of capital, imposed upon the industry heavy fixed charges, and thereby increased the cost of production to a point which at no time could have been borne and much less at the particular time they were imposed. Furthermore, the promises of increased output that were announced in the prospectuses of the above mentioned corporation thoroughly demoralized the markets, which resulted in lowering the prices. Moreover the formation and attitude of the corporation created an impression among asbestos manufactuers, particularly those in Europe, that the Canadian sources of supply might be cornered and the prices eventually raised and hence greater encouragement was given to producers in other countries to increase their output. During 1909 it was estimated that the production of asbestos in other countries increased by about three thousand tons, while the total Canadian production decreased by about the same amount.

Another effect which the increased cost of production has had upon the asbestos industry of Canada is that as soon as the prices of asbestos reached a point where other deposits would be profitably developed and worked, many of the substantial interests, who were largely responsible for the development of the Canadian deposits in their earlier days, began gradually to pull out from Canada and to invest in other deposits. For instance, previous to 1900 both the English and German manufacturers had large interests in the Quebec mines, but since then these interests have been all transferred to Russia, South Africa and other countries.

The requirements of asbestos for home consumption are very small and hence the Canadian market is of little value to the producers of this material. About 94 per cent. of the asbestos produced in Canada is exported.

IRON.

In 1897 the Dominion Government, in order to stimulate the iron industry, passed a law providing for a system of bounties. At first the period of payments of these bounties extended to 1902, but in that year the period was further extended to 1907 and in 1907 it was extended again to December 31st, 1910. By this system of bounties one dollar a ton more was paid on pig iron made from Canadian ore than on pig made from foreign ore. Up to March 1st, 1910, the amount paid in bounties on iron and its manufactures was $15,480,329.

In so far as the quantities are available, the total consumption of iron and steel in Canada during the year 1908 was as follows. (The production is for the calendar year and the imports for the fiscal year.)

PRODUCTIONS.

	Tons.
Pig iron produced in Canada.....	630,835

IMPORTS.

Pig iron.....	212,290
Ferro products.....	17,661
Ingots, blooms and bars.....	6,356
Scrap.....	69,213
Plates and sheets.....	123,172
Bars, rods, etc.....	98,640
Structural iron and steel.....	373,871
Rails and connections.....	52,706
Pipes and fittings.....	25,080
Nails and spikes.....	2,741
Wire.....	57,046
Castings, etc.....	22,357
Total.....	1,694,968

LESS EXPORTS.

	Tons.	
Pig iron	290	
Stoves	651	
Scrap	4,628	
		5,569
		1,689,399

Of this consumption only 99,420 tons was produced from Canadian ores. During the calendar year 1908 1,260,711 tons of iron ore was converted in Canadian furnaces, of which only 209,266 tons were produced in Canada and 1,051,445 tons imported.

These are surprising facts, and we are led at once to inquire as to what our system of bounties and protective tariffs has done for the development of Canada's iron deposits. Between the years 1897 and 1908, inclusive, the production of iron ore in Canada was as follows:—

	Tons.
1897	50,705
1898	58,343
1899	74,617
1900	122,000
1901	313,646
1902	404,003
1903	264,294
1904	219,046
1905	291,097
1906	258,831
1907	312,856
1908	238,082

These figures would indicate that the system of bounties did encourage the production of Canadian ore from 1897 until 1902, but by this time the increase in the cost of production more than offset any advantage the bounties conferred and the Canadian smelters

found they could get their supplies of ore outside cheaper than they could get them from the iron mines of Canada by more than the difference the bounties conferred in favour of domestic ore. This is also borne out by the fact that furnaces which were wholly dependent on Canadian ores for their supplies, have closed down.

It is true that during the period which bounties have been paid, the production of pig iron in Canada has increased from 58,007 tons in 1897 to 630,835 tons in 1908. But is it not possible that the price which the people of Canada have paid for this industry of smelting foreign ore has been too great? One example will suffice to indicate this price.

During 1908 the Canadian smelters imported 11,139 tons of ore from Norway. On the pig iron produced from this the people of Canada, including the owners of iron deposits, paid a bounty of $1.10 a ton to the smelters. If this pig iron were converted into puddled iron bars a second bounty of $1.65 was paid. If this pig iron, even though it were mixed with an equal amount of other imported material, were converted into steel rails instead of puddled bars a second bounty of $1.65 a ton was paid on the whole weight. If, instead of steel rails, it were converted into wire the second duty was $6.00 a ton on the whole weight. Then if the people of Canada wanted to buy these steel rails the protective duty would compel them to pay from $4.50 to $7.00 a ton more than steel rails of a similar grade could be bought for outside of Canada. If the owner of iron mines in Canada desired to work his deposit, the protective tariff would compel him to pay from 17½ to 35 per cent. more for his supplies than if his mines were situated outside of Canada. Wire rope would cost him from 17 to 25 per cent. more, shovels, picks and other tools from 20 to 25 per cent. more, his steam plant from 20 to 27½ per cent. more,

and his locomotives from 22½ to 35 per cent. more. In face of these conditions there is little wonder that the Canadian furnaces are using more and more foreign ore, while the iron mines of Canada are being closed down one after another.

LEAD.

Lead is another metal, the production of which has been encouraged by bounties. The bounties, in this case, are paid to the miner or producer of the ore and not to the smelters, as in the case of the iron. Moreover, it is not a fixed amount but depends upon the market price of the metal. The bounty is 75 cents per hundred pounds of lead contained in ore mined in Canada and is subject to the restriction that when the price of lead in London exceeds £14 10s. per ton of 2240 pounds, the bounty is to be reduced by such excess. Thus when lead is £18 per ton in London the bounty ceases. The total value of lead in the ore produced in Canada during the calendar year of 1909 did not exceed $1,500,000. The amount of bounty paid during the same time was $346,527.90.

Just how much of the success in lead mining may be credited to this system of bounties it is very hard to say, but it is a fact that the lead industry has made very satisfactory progress during the last ten years, as may be seen from the following table. The bounties began to be paid in 1901.

Year	Lead contained in Ore mined	Lead Refined in Canada	Total export in Ore & Refined
1899.....	21,862,436	.....	15,799,518
1900.....	63,169,821	.....	57,642,029
1901.....	51,900,958	.....	45,590,995
1902.....	22,956,381	.....	17,761,484
1903.....	18,139,283	.....	18,624,303
1904.....	37,531,244	7,519,440	25,868,823
1905.....	56,864,915	15,804,509	41,657,403
1906.....	54,608,217	20,471,314	21,436,022

1907.....	47,738,703	26,607,461	25,591,883
1908.....	43,195,733	36,549,274	18,454,594

In the production of pure lead there are three processes, mining, smelting and refining, and it is satisfactory to note that a very large part of the lead produced in Canada is carried to the highest stage of completion before being shipped. During 1909 there were 41,883,614 pounds of lead refined in Canada and only 3,973,840 pounds exported in the ore. Furthermore, the total exports did not exceed 18,000,000 pounds, which would indicate that the home market absorbed about 27,000,000 pounds, or fully two-thirds of the production. This is a very satisfactory showing, but one that has not been attained without considerable expense to the country. Lead and its manufactures is one of the most expensive industries that Canada possesses. The miner who produces the ore receives a bounty, the smelters and refinery that convert it into pig are protected by a duty of from 10 to 15 per cent., the manufacturers that convert the pig into white lead are protected by a duty of from 20 to 30 per cent., and the manufacturers that produce the finished article ready for consumption are protected by a duty of from 30 to 37½ per cent. on white lead ground in oil and $1.00 a gallon on paints. On all other manufactures of lead there is a protective duty of from 20 to 30 per cent.

NICKEL.

Unlike the case of lead and iron, the nickel industry of Canada has been built up without the assistance of either bounties or tariffs and it is one of the healthiest industries the country possesses. It has been established entirely upon its own merits and has had a steady growth from the beginning, until now Canada produces the greater part of the world's supply of nickel. This growth may be credited to two conditions; first, the Canadian deposits, in comparison with

known deposits in other countries, are exceptionally rich, and second, the producing companies, notwithstanding that they now control the markets, have continued to supply the trade in all parts of the world at prices lower than nickel can be produced from mines elsewhere and also sufficiently low to encourage a healthy increase in the consumption of the metal, as may be seen from the following output:

CANADIAN PRODUCTION OF NICKEL.

	Pounds.
1899	5,744,000
1900	7,080,227
1901	9,189,047
1902	10,693,410
1903	12,505,510
1904	10,547,883
1905	18,876,315
1906	21,490,955
1907	21,189,793
1908	19,143,111
1909	22,282,000

With the exception of a few tons that are mined in connection with the silver ores of Cobalt, all the Canadian supply comes from the Sudbury district in Ontario. In this district the ore is mined, roasted and smelted. The product from the smelter, which is in the form of copper-nickel matte, is shipped to the refineries of the world, the larger part going to those in the United States.

It is estimated that refined nickel was produced during 1908 as follows:—

WORLD'S PRODUCTION OF REFINED NICKEL IN 1908.

	Pounds.
United States	13,200,000
England	6,160,000
Germany	5,720,000
France	1,540,000
Total	26,620,000

According to this estimate, the Canadian mines furnished about 75 per cent. of the world's output of nickel in 1908.

The nickel industry in Canada gives employment to about 1,800 people and distributes annually about a million and a quarter of dollars in wages.

To the establishment of industries such as this every encouragement should be given particularly in the way of keeping down the costs of production. It must not be forgotten that other countries are constantly endeavoring to create conditions which will permit their deposits to be profitably worked. According as the economic conditions in Canada make it more difficult to work her mines and deposits profitably, the sooner will the deposits in other countries be developed and worked. The lesson which the history of our asbestos industry teaches should not be allowed to go unheeded.

MISCELLANEOUS ORES AND MINERALS.

There are a number of minerals, such as ochres, manganese, fluorspar, barytes, feldspar, magnesite, gypsum, quartz, graphite, talc, etc., of which Canada has many rich deposits and for which there is a large and increasing market. But under the present condition of high cost of production, few of these deposits can be profitably worked. The operations necessary to make these minerals and ores ready for use are mining, grinding and in some cases concentrating and calcining. The mining of them is the least expensive, since it involves the least amount of labour and little and not very expensive machinery. But grinding, concentrating and calcining is a much more expensive business. This involves the putting up of a mill and the installing of much and often expensive machinery. Furthermore, if these ores are ground they require to be bagged before being shipped, and bags in Canada are expensive, because the two or three bag manufacturers are protected by a high duty. The duty on the

machinery required for such mills, of course, is also high. The result of such a condition is that nearly all the material coming from the deposits of such of the above mentioned minerals as are being mined at all, is going out of the country in the rawest condition. For instance, during 1908 there were 375,444 tons of gypsum produced in Canada, of which over 320,000 tons were exported in lump form just as it came from the mine. In the same year 7,877 tons of feldspar was produced and all exported in lump. What was required by the Canadian manufacturers was brought back in the finished state.

In the case of ores which cannot be readily marketed in the raw state, the production has fallen off rapidly. Thus the production of graphite has decreased from 2,210 tons in 1901 to 250 tons in 1908. The production of manganese has decreased from 440 tons in 1901 to nil in 1908. In the last annual report of the Mines Branch at Ottawa the following comment on the manganese industry appears:—"The decline of the manganese industry is not due to lack of deposits in Canada, for in both Nova Scotia and New Brunswick there are mines which were worked for years and from which large quantities could still be extracted."

About two years ago a mill was erected at Madoc, Ontario, for the grinding and preparing of talc from a deposit in that neighborhood and from which the material had been shipped in the lump form for years to mills in the United States. The uses to which talc is put are very similar to those for which the higher grades of china clay are required. China clay comes into Canada free, as does also talc in any form. At the time the mill was put up at Madoc the builders felt that the Canadian consumption of the higher grades of china clay and all grades of talc were sufficient to justify the expense of a mill. The imports of china clay into Canada amount to about 12,000 tons a year and

of talc and allied products to about 4,000 tons. The builders of the mill, however, soon found that the Canadian manufacturers were not disposed to replace the imported article with a home product and that the government was not inclined to displease the manufacturers by imposing a duty on the imported talc.

The owners of these talc mills readily admit that the one mistake made was the building of their mills in Canada. By doing so their outlay for machinery and supplies was much greater than it would have been if the mills had been put elsewhere, while their location gave them no advantage whatever in any market, not even that of Canada, but on the contrary, is a handicap both as regards cost of production, markets, and transportation.

On the whole the mining industry of Canada gives employment to 43,000 workmen and contributes annually to the wealth of the country some $73,000,000, of which about $40,000,000 goes to swell her exports. Large as this may seem, it is small when compared with other countries. For instance, Australia, with a population of about 4,300,000, has a mining industry that gives work to about 120,000 of her people, adds $140,000,000 annually to her wealth and contributes $110,000,000 to her exports. New Zealand, with a population of about one-seventh that of Canada, has 15,000 employees in her mining industry, which adds annually about $18,000,000 to her wealth and $15,000,000 to her exports.

Free Trade with Great Britain and reciprocal arrangements with other countries, particularly the United States, which would lower prices of mining machinery and of operating costs and which would give entrance to foreign markets on more equitable terms, would be a boon to the Canadian mining industry. The difference between being able to operate a mine successfully and being forced to close it down

is small. Often a few cents a ton of a decrease in the costs of production is sufficient to make operation profitable. Hence every decrease in costs widens the field of operation, increases production and adds wealth to the nation.

CHAPTER VII.

THE FISHING INDUSTRY.

As regards the fishing industry the writer has not had the personal experience nor the opportunity for investigation which would enable him to speak with the assurance concerning it as he has of the industries dealt with in the two previous chapters.

There are, however, two Government reports that have been made public recently, which throw much light on the condition of this industry, and which in themselves are quite sufficient. One is by Mr. J. J. Cowie, of the Department of Marine and Fisheries. It is to be found in Dominion Government Report on Fisheries, 1909-10. In part it is as follows:—

"In the annual report of the fisheries of Canada the boast is continually made that our fisheries are the most extensive in the world; and rightly so, of all the many ways in which bounteous nature has blessed this wide Dominion in no way has she been more lavish than in the wealth of food fishes with which she has filled Canadian seas.

"But while all this is perfectly true, and although the capture and consumption of sea fish have increased enormously with the demands of a greatly increased population for a cheap and palatable food, both in Europe and North America, especially since the age of steam with its improved railway and steamboat facilities for the conveyance of fresh sea fish to large inland towns, and while Canada has reason to be proud of the annual value of its present fish production it is perfectly clear from the records kept that we are not taking full advantage of the wealth of fish in the teeming waters that wash our eastern shores.

"It is not by any means claimed here that the statistics published annually in the Fisheries Report are of an absolutely reliable character, but it is claimed that fishery officers, generally, are in a position to know, broadly, the upward or downward tendency in the landings of a particular class of fish, and that the result is made sufficiently clear in the figures returned by them to enable the statistician and the economist to reach conclusions respecting the decline or otherwise of any or all branches of the industry.

"Taking the statistics then as we have them, what do we find?

"First, that the grand total value of the fisheries has been gradually, though slowly, forging ahead. (In value there has been a slight increase due to higher prices, but in quantity there has been a very noticeable decrease.)* Here are the figures for the whole Dominion from 1900 to 1909:—

1900	$21,557,639
1901	25,737,153
1902	21,959,433
1903	23,101,878
1904	23,516,439
1905	29,479,562
1906	26,279,485
1907-08	25,499,349
1908-09	25,452,085
1909-10	29,629,169

"In the second place we find that the fisheries of British Columbia and inland western waters have been giving us the increasing totals, and further that the aggregate value of the fisheries of the four eastern provinces has almost stood still for the last twenty-five years.

"The two following tables contain figures showing the relative yearly value of the fisheries of the west and east during the past ten years. Table A. shows the

*The remark in brackets is the writer's. It does not appear in Mr. Cowie's report.

total yearly value of the fisheries of Western Canada—seal hunting excluded—from Ontario to British Columbia in the ten years from 1900 to 1909. Table B. shows the total yearly value of the fisheries of Eastern Canada—Nova Scotia, New Brunswick, Prince Edward Island and Quebec (inland Quebec not included) during the same period:—

TABLE A.		TABLE B.	
1900	$ 6,353,560	1900	$14,283,679
1901	9,954,854	1901	15,045,124
1902	7,400,317	1902	13,970,196
1903	7,470,272	1903	15,122,713
1904	8,503,372	1904	14,593,688
1905	13,036,234	1905	15,855,611
1906	9,911,752	1906	15,804,051
1907-08	8,902,901	1907-08	16,279,356
1908-09	9,303,600	1908-09	15,854,356
1909-10	13,727,038	1909-10	15,615,485

"The aggregate yearly number of men in vessels and in boats engaged in the fisheries of Nova Scotia, New Brunswick, Prince Edward Island and Quebec from 1900 to 1909:—

Year.	Men in Vessels.	Men in Boats.	Total.
1900	7,155	46,880	54,035
1901	7,047	45,143	52,190
1902	6,886	44,440	51,326
1903	7,285	43,939	51,224
1904	7,115	45,675	52,790
1905	7,294	47,271	54,565
1906	7,286	44,962	52,248
1907-08	6,654	44,037	50,691
1908-09	6,819	46,379	53,189
1909-10	6,263	44,607	50,870

"At the present moment more than any other since we as a nation have accepted the responsibility of creating a naval force of our own, it becomes doubly

necessary for us to see that the number of our seafaring population is not only maintained but increased.

"If the wealth of the national fisheries is not increasing in consonance with the growth of the nation itself, then, a very important source of national strength is becoming sapped and weakened."

The other report referred to above is by Mr. Victor DuBreuil, one of the fair wage officers of the Department of Labour, who some months ago, was commissioned to inquire into the causes of a riot that took place among the fishermen of the Gaspe.

According to this report the prices which the fishermen received for their fish were insufficient to meet the costs of their living and as a result they were becoming more and more indebted to the merchants from whom they bought their goods and to whom they sold their fish. Early in September, 1909, the fishermen made a demonstration and compelled the merchants to sign an agreement by which they (the merchants) were to pay $4 per 112 pounds for their fish and to refrain from taking proceedings against families who were behind in their grocery bills. This agreement was not signed until after considerable rioting. A few days later two Government steamers, La Christine and La Canada, put in an appearance and twenty-four of the fishermen were arrested. Of this number five were sent to prison and seventeen released under bail for $200 for one year.

The conditions under which these fishermen labour and against which they protested are set forth in the following paragraphs taken from this report:—

"The number of fishermen concerned in the difficulties is estimated at about 800; they are selling their fish to the merchants and receive in return provisions and dry goods.

"The fish is divided by the merchants into three grades, prices per quintal or 112 pounds being as fol-

lows:—For No. 1 quality, $3.50; for inferior quality, $2.00; for extra large fish of over eighteen inches of cut, $3.60 to $3.90. The extra large fish represent about 12 per cent. of the yearly catch. In addition the fishermen sell crude cod liver oil to merchants at from eighteen to twenty-two cents per gallon, about one-half a gallon of oil is extracted from one quintal of fish.

"I found during this investigation that in many cases the disastrous "Truck System" is in operation. Some of the poorest fishermen hardly receive any money. They exchange their fish for provisions and other goods. In these cases if the fishermen were receiving money for their fish they would buy their supplies where they are cheapest, thus creating some competition between the merchants, and this would have the effect of diminishing the prices of goods to a certain extent. The poorest of the fishermen are entirely at the mercy of the merchants, if they make a poor catch. They cannot deal with other business places, as they are already indebted to the local merchants, and being unable to meet their obligations, have to pay higher prices.

"The following is a statement received from a person who is in a position to speak with authority of an instance showing the manner in which fishermen are sometimes dealt with. The case is that of a fisherman who was indebted to a merchant for the sum of $841. The merchant was in possession of a mortgage on the fisherman's property with interest at 8 per cent. and was on the point of taking the property in payment of his claim. The man in question was unable to read, and consequently could not ascertain the prices charged to him. My informant interfered in the matter, and after many efforts had been made to obtain the production of a detailed account, one was furnished covering three years, by the agent, and in examining

the items on the account it was found that for an axe handle the man had been charged $1.00, while the current price was $1.00 per dozen. This man, the father of fourteen children, had never used tobacco, and his boys were too young to do so, yet several dollars were entered for tobacco, which had not been purchased. By the intervention of this reliable person a reduction of $200 was made by the agent, on account of overcharges. This instance of bad bookkeeping or bad management or of regrettable clerical errors on the part of some employees of the company, is well known among the inhabitants, and is considered as one of the many causes of the recent disturbance, the men being under the impression that similar mistakes are often made in entering their purchases.

"The companies make an agreement among themselves by which the prices to be paid to fishermen for their fish is fixed, it is said, to protect their interests, but it appears that this year is the first year during which there has been no deviation from prices originally determined by the companies. The above was admitted by one of the more important agents, and there is, I think, ground for believing that a combination exists between the companies to keep down the prices paid for fish. That such an understanding exists is firmly believed by the fishermen, and can be named as another cause of the recent tumult. Another cause of friction between the parties is the dilapidated condition of the scales used by some merchants for weighing the fish bought from the fishermen.

"In the centre of a vacant lot adjacent to the store of one of the merchants can be seen a hugh scale, consisting of two wooden platforms hung by cords and chains to a balancing pole. On one of these platforms are stones, cast iron weights, etc. The stones, etc., are employed instead of regular weights. Similar stones are lying on the ground and can be easily mixed with

other stones on the scales. The other platform of this old fashioned apparatus is empty, ready to receive the fish. A scale of that description cannot give the exact weight of fish. The fishermen are protesting against the use of this ancient and clumsy method of handling their fish. Concerning these scales I would respectfully recommend that the attention of the Weights and Measures Inspector for the district be called to this matter. If the system of weighing fish is made modern and efficient one cause of the present discontent will disappear."

As in the case of other producers, a large portion of whose products are exported, the prices which the fishermen of Canada receive for the products of their labour, whether bought for home consumption or for export, are determined by the prices which these products command in the markets of the world; and further diminished by systems of grading, weighing and inspecting, which seldom if ever work out to the advantage of the fishermen and other producers. On the other hand the prices which these producers pay for what they have to buy are arbitrarily built up behind a high tariff wall and further augmented by systems of "honourable understanding" and illicit changes of one kind and another.

In his report Mr. DuBreuil gives the prices paid by the fishermen of Gaspe for some of their foodstuffs and the writer notices that they paid as much as $8.00 for the same quantity of flour that can be bought in London, England, for $5.25, even assuming that they get the best grade of Canadian flour, which is doubtful. For canned beef they paid from 20 to 25 cents a pound. This, no doubt, is made from the grade of cattle which sells for from $1 to $2 a hundred live weight on the Toronto and Montreal stock markets. Cheese costs them from 18 to 20 cents a pound, etc.

Under conditions such as these set forth in
DuBreuil's report it cannot be expected that the
ing industry will thrive or ever remain at its p
level.

CHAPTER VIII.

THE EFFECT WHICH THE ECONOMIC CONDITIONS HAVE HAD UPON THE POLITICAL AND SOCIAL LIFE OF THE THE COUNTRY.

As a result of the economic conditions that have obtained in both Canada and the United States during the last twenty-five or thirty years the people find themselves divided, more or less definitely, into two classes. First, there are the great mass of producers and consumers who have suffered from the burden of the high cost of living imposed by class legislation of one kind or another. And, second, there is a much smaller group composed of those who have profited by this class legislation and whose easy acquisition of wealth has fostered in them habits of extravagance and waste that are generally spoken of as the "cost of high living." There is really a third class made up of those, who without possessing the necessary means, would ape, in the manner of living, their more well-to-do neighbours. These suffer both from the high cost of living and the cost of high living and soon come to grief.

In a country where class legislation, such as protective tariffs and special corporate privileges exist by the sufferance of the people, who possess the right to abolish it by their vote, it is only natural that every effort will be made by those who are being benefited by such legislation, to direct or smother public opinion and corrupt the channels through which expression is given to the will of the people. If it is necessary or even advisable that such class legislation be maintained, then a form of government such as exists in Germany or even Russia is much more to be desired than one where the sovereign power rests with the people. It

is always possible to convert, without recourse to the grosser methods of corruption, a sufficient body of electors to give a principal or policy a trial. This is especially true of protection; because there are few economic doctrines more captivating in theory or more disappointing in practice. But as soon as the adoption of such a principle or policy proves to be of benefit to a class, it takes much more than the ordinary methods to keep it on the statute books, and directly in proportion as this class gathers in the fruits of such legislation does corruption increase.

Every movement among the people is watched. As soon as an agitation appears, which is likely to become dangerous, a contingent is despatched to take care of it. Inspired articles and editorials appear in the local and other papers. Papers and periodicals that cannot be controlled suffer by the withdrawal of advertisements and, where necessary, by the establishment of rival publications.

During the sessions of Parliament "glad hand" men are kept at the capitals. The duties of these, in some respects, are akin to those of detectives in plain clothes. Their most important function, however, is to worm themselves into the confidence of parliamentary members and influence legislation often without disclosing the interests they represent. The pernicious activities of this class of lobbyist have become so prevalent and dangerous that many of the State Legislatures in the neighbouring Republic have passed acts, in some cases compelling them to "enter regular appearances and disclose for what clients they are acting," and in others making it a misdemeanour for them to attempt to direct or influence a member of the Legislature to vote for or against any pending measure otherwise than by appearing before regular committees.

In Canada we have no such restrictive or prohibitive measures, and during a parliamentary session Ottawa is filled with these "glad hand" agents of large corporations who never appear before any of the regular committees but who are privately lobbying for or against the passage of legislation. In the majority of measures the public take little or no interest, and agitation over such is confined to a sort of bartering and dealing among the corporate interests themselves. But as soon as a measure is suggested or put forth, which attracts public attention, and public opinion begins to take a shape that threatens the existence of some privileges, the combined forces of corporate interests is exerted; and the measure, if not passed as they desire, is either not brought down or is shelved until the storm blows over and public interest dies out. If it is a measure in which public interest is not easily killed it is kept dangling in the air from session to session until the people grow tired of it or can no longer afford to send deputations to oppose it.

The important measures, with which the last session of the Dominion Parliament attempted to deal were The Banking Act, The Insurance Bill and a Bill against Combines

Before the Banking Act was brought down it was made known that little or no change would be made in the existing banking laws. At once there arose throughout the country considerable agitation and as a protest, one of the most conservative of bank managers resigned his position. The closing remarks of this manager's address to his Board of Directors, when he asked to be relieved of his position is a severe but thoroughly justified indictment of our banking system. They are as follows:—

"I have earnestly and consistently sought to do my duty in the interest of Canadian finance. Eventually the more important changes advocated will come.

Secretive management must end. But I have not the patience to await these changes nor the disposition to quietly tolerate banking practice that has produced so much loss and which looms a dark cloud on an otherwise fair outlook. Therefore I have asked the privilege of retirement."

On the whole the temper of public opinion indicated that the people would not submit to a renewal of existing banking laws, and although a revision was due it was soon announced that no Bank Act would be brought down.

The Insurance Bill, which was passed during the last session of Parliament, had been introduced three sessions before, when grave abuses and irregularities in our insurance companies were exposed by the investigation of a Royal Commission. The interest which the people then took in the question would not permit the passage of a bill such as the insurance companies desired. So the bill was kept dangling from session to session until it finally went through last winter, giving to the companies all they desired and even more than they asked when it was first brought down over four years ago. The bill in every essential detail is opposed to the recommendations of the Royal Commission, whose investigation and report cost the country over $100,000.

The Anti-combine Bill is one of the most innocuous measures that could be put upon the statute book. Briefly it undertakes to curb combines solely by publicity and without the imposition of any penalty whatever; and for such purposes provides machinery not readily workable or likely to be put into operation by people who must continue to get their supplies from those they would attack.

As already explained, the curtailment of production and the raising of prices to consumers has made it increasingly easy for imports to come in over the

tariff wall. Hence there has been a rapid rise in dutiable imports and a corresponding increase in the revenue from customs. In 1896 the revenue from dutiable imports amounted to $20,219,037. Last year the revenue from this source amounted to $61,024,239.21. But even this increase has not been sufficient to meet the lavish expenditure and a considerable addition has been made to the nation's debt. Of course, much of this increase in expenditure is due to increases in prices of material and salaries, but much is also due to large expenditures that can be justified only on the grounds of political expediency. In 1903 when the country was committed to the building of the Grand Trunk Pacific Railway the people were told that, according to the most liberal calculation of the Government engineers, the cost would not exceed $61,640,000. But the latest official estimate brought down in Parliament, based upon the calculations of the Government's engineers, shows that the cost will not be less than $154,000,000 and according to many calculations it will exceed $200,000,000.

In a country where the abuses of corporations are open to attack through the law courts, it is only to be expected that every effort will be made by these corporations to control, if not the courts themselves, then the means by which justice is attained through the courts. Consequently we find every prominent and successful lawyer, whose liberty can be bought by retainerships, in the employ of corporate interests. This produces three results. It deprives the people of the services of the best lawyers in their suits against these corporations; it places the most important legal business of the country in the hands of a few to the detriment of the body of the profession; and it makes the business of these few so remunerative that Judgeships, even in our highest courts, are no longer the goal of their ambition. This business of retainerships is a

detriment to the country in another way. Without much additional expense the corporate interests, retaining the services of lawyers, are able to carry suits from one court to another and thus put those who may succeed against them in the lower courts to endless expense and trouble if their offers of settlement are not accepted or the suits dropped.

Educational and other institutions the revenues of which are largely derived from endowment and hence are more or less fixed have found it difficult to expand on account of the higher costs of building and equipment or to increase the salaries of their professors in keeping with the higher cost of living.

Civil servants, who are necessarily on salary, have found it increasingly difficult to live within their income on account of the increased cost of living and are often compelled either to leave the profession or to take advantage of their position to make illicit gains, which disposition supply houses and other private corporations have been only too ready to take advantage of and to encourage. Recent investigations at Ottawa furnish abundant evidence of the extent to which this canker has already eaten into the vitals of our Government.

A careful examination of present conditions and their causes will convince anyone, with an open mind on the subject, that class legislation is almost wholly responsible for our national troubles; and will lead to the conviction that nothing will cleanse the public life of either Canada or the United States, and improve the conditions of the masses of consumers and producers, as will a change in the fiscal policy of both these countries. Protection has proven to be the king of class legislation.

CHAPTER IX.

THE NEED FOR NATIONAL ECONOMY.

The recuperative powers of Canada are exceptionally good, but we will prove to be an exceedingly easy-going and stupid people if we continue to remain indifferent and allow matters to drift too far in the direction they are going in the hope that they will rectify themselves. Under existing conditions matters are not likely to adjust themselves. In fact, for many reasons it would be most unnatural that they should.

Men and corporations in receipt of handsome profits are not likely readily to give up the privileges by which these profits are so easily made, no matter how urgently the interests of the nation may require such a move. During the last ten or fifteen years, as has already been pointed out, there has been a reckless disposition on the part of protected and privileged interests to capitalize their holdings. Even the privileges under our system of protective tariffs and bounties, which were granted for the purpose of encouraging industry, have been made use of to justify excessive capitalization, the major part of the returns from which have gone into the pockets of individuals and but a small portion into development and protective enterprises. Thus our tariff, bounties, franchies, and other privileges have been capitalized or mortgaged and the scrip sold largely to foreign investors on the assumption that the people of Canada would continue to pay the high prices and excessive taxes necessary for the promised dividends. Is it likely that these capitalized privileges will be readily surrendered, or may we not

expect that any attempt to remove them will be strenuously opposed; and that every argument likely to win public sympathy and support will be used? Foremost among these arguments may we not expect to see renewed the old bogy of the injustice that would be done to foreign investors, and the injury to national credit by any movement which would compel corporations to squeeze some of the water out of their capitalization.

Another condition that is not conducive to a self-adjustment of matters lies in the fact that representative governments such as we have in Canada do not make radical changes in policy until they are forced to do so.

The present policy is strongly supported by the protected and privileged interests irrespective of party affiliations. These interests are liberal spenders; they are well organized and an organized minority is of much more importance to the existence of an administration than the unorganized majority.

The present policy admits of a lavish expenditure of public money. Such excessive outlays effect a kind of prosperity that tends to cover up actual conditions.

For these and other reasons matters will not be adjusted until a sufficiently large and organized body of producers and consumers assert themselves. Already a good start has been made in this direction by a number of agricultural associations, particularly in Western Canada, and the movement thus started deserves every encouragement and support. In this, as in all such movements, there are details upon which all cannot agree. But the fundamental and guiding principles which demand the abolition of class legislation, and insist upon the exercise of greater national economy, not only in the matter of public expenditure, but also in the matter of development and production, are principles we can all accept.

Public Expenditure.—In the introduction it was pointed out that since the general election of 1896 there has been a marked indifference in the matter of keeping the public informed on the questions of the day. About the same time there also passed away much of the old habit of watching and criticizing the expenditure and waste of public money. Few electors have the knowledge or the facilities necessary to a proper understanding of national finance, and this, no doubt, largely accounts for the apathy and apparent indifference of the people towards the rapid growth in the expenditure of all our spending departments.

In 1882 the total expenditure of the Federal Government amounted to $42,898,885. From that time until 1898, when the total expenditure amounted to $45,334,-281, there was little change in the annual appropriation which Parliament was asked to vote. But since 1898 the annual expenditure has gone up rapidly. For the fiscal year ending with the 31st of March, 1909, it amounted to $133,441,524. The appropriation which the present session is being asked to vote for the ensuing year, amounts to $138,863,200, and it is safe to say that the supplementary estimates will bring it well over $140,000,000.

According to the latest Government returns, it is estimated that the population of Canada in 1909 was 7,184,000. On this basis the Federal expenditure in that year amounted to $18.57 per head of population. In 1898 the expenditure amounted to $8.72 per head of population. The burden which the present Federal outlay imposes upon the people of Canada can best be understood by comparing it with that of other countries. For the year ending with the 31st of March, 1909, the total outlay of the British Government, including the expenditure for the army, the navy and all other purposes, amounted to $16.45 per head of population in Great Britain and Ireland, or $2.12 less

than the per capita expenditure in Canada. Yet we are led to believe that the British ratepayer is overtaxed.

In making this comparison it must be remembered that there are two very important differences between the manner in which the money for national expenditure is collected from the people in the United Kingdom and in Canada. The United Kingdom is essentially a free trade country, and hence the greater part of her revenue is collected by direct taxation of one kind and another. This being so the amount which each person pays towards the expenses of the country is proportionate to his income and wealth. But in Canada by far the largest part of the revenue is derived from import duties, and the amount which each person contributes is proportionate to the amount of imported food he eats, clothes he wears, and tools and other supplies he requires to work with. Thus the poor man pays as much towards the national expenditure of the country as does the rich, and the man with a large family much more than does the bachelor.

The second point of difference is one on which much has already been said, but it may be advisable to repeat that the Canadian import tariff or duty is maintained and adjusted not only for revenue purposes, but also with a view to protecting the Canadian manufacturers from outside competition. In other words, it is a protective import tariff. This enables the Canadian manufacturers to charge the people for articles made in Canada prices equal to that which they would have to pay for the same class of imported articles. Thus, in addition to providing a revenue to meet the national expenditure, the Canadian people are forced to contribute annually large amounts to the profits of a few protected interests. These contributions are also proportionate to the amount of goods of one kind and another which each person buys and consumes, or uses. Thus the greatest burden is again

thrown upon the man with a large family, and the poor man contributes as much as the rich. In previous chapters it was shown that the amount which the people of Canada contribute to the manufacturers and other protected interests by reason of the protective tariff, was in many cases considerably in excess of the amounts paid into the national exchequer. When presenting the recommendations of farmers to the Government at Ottawa a few days ago, Mr. E. C. Drury, Secretary of the Canadian Council of Agriculture, and ex-Master of the Dominion Grange, stated "that the present tariff costs every farmer in this country $200 a year for which he gets no returns." Mr. McKenzie, of Winnipeg, made the calculation in 1905 that the protective tariff enabled the manufacturers to take out of the pockets of consumers $199,000,000 in that year. Of this only $42,024,340 went into the Dominion treasury; the balance went to the protected interests.

Thus the taxation which the fiscal policy of Canada imposes upon her people is many times the rate per head of population which the fiscal policy of the Mother Country exacts from her people.

But it is not only for national purposes that the Canadian people are taxed in excess of those of the Mother Country. In 1908, the last year for which we have complete returns for both countries, the taxes for civic or local purposes levied on the people of England and Wales, amounted to $7.80 per head of population, while the rate levied for the same purpose in Ontario. amounted to $9.34. In addition, the people of Ontario had to provide for provincial purposes about $2.00 per head of population, an expense for which there is no corresponding outlay in Great Britain. As in the case of Federal expenditure, there does not seem to be any halt in the growth of taxes for local purposes. In Ontario the taxes for local purposes during the year 1909 amounted to $9.78 per head of population, or an

increase of 44 cents per head over the previous year. Surely it is time to call a halt.

Economy in Development.—The exceptionally high prices which maintain for everything that enters into the cost of building and construction, coupled with the excessive profits exacted by contractors, and where possible by operators, not to speak of the graft that exists in many cases, is having an undesirable effect upon the country. In some parts, much needed development and improvements are being delayed; while in others, where the work is being done, the costs are so great that the fixed charges necessary to meet them will for many years to come be a severe handicap to industry. The high costs of railroad building will be an insurmountable obstacle in the way of cheap transportation rates.

Our water powers, which are among the finest in the world, and which should give our industry an advantage over that of other countries, are not being developed to give this result. In Sweden smelters are being supplied with electrical current for as low as $7.45 per horse power per year. In Canada electrical power costs from two to five times this price. The Dominion Government has already spent much on experiments for the electrical smelting of iron ore with the result that it is shown to be possible but not practicable under existing conditions.

Notwithstanding the rapid increase in municipal taxes and our heavy municipal borrowing, civic improvement in most places is progressing slowly or standing still. The whole country is badly in need of good roads and little progress is being made towards improving them. With the existing high cost of road machinery, and the exorbitant price of structural iron for bridges, the high cost of cement, and other materials, it seems desirable to delay all but the absolutely

necessary development until economic conditions are improved.

Economy in Production.—It seems to be a pretty generally established principle that production in any industry increases or diminishes in proportion as the industry becomes more or less profitable. Granting this, the problem of increasing the production of our primary industries resolves itself into an endeavour to discover and put into operation ways and means for augmenting the profits of these industries. A survey of the situation readily reveals the fact that profits in most industries, and particularly in those of farming, mining and fishing, can be increased in only one or more of three different ways, namely:—By creating conditions which, (1) enable the producers to get better prices for their products, (2) enable them to get their supplies cheaper, and (3) enable them to make better use of the material with which they work.

The last of these methods for increasing production comprehends the work done by agricultural colleges, mining schools, and other educational institutions. Of these Canada has a goodly number, and all, it may be said, are well and ably manned, and are doing excellent work. But the burden imposed by existing economic conditions is a heavy handicap to scientific and educational efforts. A man may be convinced of the value of under-draining his land, or procuring good seed, or using mechanical fertilizers, or improving his stock, but if he has not the necessary money these improvements are not likely to be made. Now there are only two ways of acquiring money, namely by borrowing it, or by earning it.

For a very large element of Canadian produce there is no means by which money may be borrowed, no matter how profitably it could be employed. In the case of another large element, who are able to negotiate a loan, such exorbitant rates are asked that it would

require exceptional investment in order to earn the interest alone. In Canada there is no provision for supplying small producers with working capital at low rates of interest such as most other countries have found necessary. Our ideas of nation building seem to be founded upon the conviction that every enterprise or industry requires credit and banking facilities, except our small producers. Moreover, we seem to go upon the principle that the larger and more successful the enterprise, the more banking accommodation should it have; and as a result many large companies and combines are permitted loans and bank overdrafts running up into the millions, while thousands of small producers are unable to borrow a dollar, or if they do succeed in getting a small loan, have to pay from seven to twelve per cent. for it, while the large concerns get their accommodation for about five. The banking system of Canada makes no provision in its machinery for meeting the requirements of the masses of producers. Nor does it show any disposition in its policy to make loans to small borrowers at reasonable rates of interest. In the matter of loans, it caters only to large concerns; in the matter of deposits, it is over aggressive in its efforts to get them from whatever source they may be had. Such a system impoverishes the primary industries without giving any return whatever.

But there is a very large and important class of producers whom the ordinary bank cannot be expected to reach, no matter how disposed it might be to do so. Every community possesses many frugal, industrious and honest citizens who could make excellent use of credit if it was more convenient for them to get it, and if they were encouraged to make use of it. But, as has been shown in other countries, these people can be reached only through co-operative credit societies, or agricultural banks. The method of operation, and the

value of such institutions, will be described later on.

The ordinary method by which the small producer in Canada attempts to acquire money for improving his methods and thereby increasing production, is by earning it. That is, by so managing the purchase of his supplies and the sale of his products as to keep his income sufficiently above the outlay to leave a margin of profit. Under existing conditions this is a very difficult task, and is accomplished only by exceedingly hard toil and hours so long that he has neither the time nor the inclination for reading and improving his mind and knowledge. In many cases profits are made only by curtailing supplies of food and clothing to himself and family. In too many cases profits are not being made at all. Instead of profits, the yearly operations of many homes have constantly shown losses, which have resulted in producing the conditions of poverty and want that are to be found in so many agricultural and fishing districts of Eastern Canada. The taxes, and the prices of articles, which the people have to buy, are too high, while the prices they receive for the products of their labour are too low to make the primary and natural industries of the country profitable.

In the last annual report of Secretary Wilson, of the United States Department of Agriculture, it is stated that, after a careful investigation by experts, it has been found that, of the total prices paid by consumers in the United States for farm products, the farmer receives but 50 per cent., the railroads get about 7 per cent., and the balance, or about 43 per cent., goes to the middlemen. "The farmer supplies the capital for production and takes the risk of his losses. His crops are at the mercy of drouths and flood and heat and frost, to say nothing of the noxious insects and blighting diseases. He supplies hard, exacting and unremitting labour."* For all this risk and toil and investment he gets little more than the middlemen who

*Report of the Secretary of Agriculture for the United States, 1910.

have small risk, comparatively no toil and only a temporary investment, which is generally supplied by the banks.

In Canada the producer receives even a lower percentage of the prices paid by the consumers. A few days ago it was stated on the best of authority that apples for which farmers receive on an average $1.50 a barrel, are sold in Toronto for $5.00 a barrel. In this case the farmers receive only 30 per cent. of the price paid by consumers. Fish, for which the Canadian fisherman receives from 2 to 3½ cents per pound, is being sold to Canadian consumers for from 12 to 15 cents per pound. In this case the producing fishermen received less than 25 per cent. of the price paid by consumers.

Now the question naturally arises, why cannot producers market their products to better advantage? Why do they not do their own marketing? In many countries this work is being done through co-operative organizations of one kind and another, which enables the producers to get the full value of their products. Those who have studied the history and workings of co-operative movements, have little difficulty in understanding why co-operation among producers and consumers in Canada has not been resorted to more than it has.

Co-operation among producers and consumers has three objects:—

I. Co-operation for the purpose of buying and distributing supplies.

II. Co-operation for the purpose of collecting and marketing products.

III. Co-operation for the purpose of supplying credit and banking facilities.

Now, while the most successful co-operative movements have achieved their greatest results from the development of their productive objects, namely, II

and III above mentioned, yet they have all had their origin in I. In England, co-operation for supply may be said to have begun about 1844, and for production about 1900. In Germany, co-operation for supply began about 1847, and for production about 1871. In Denmark, co-operation for supply began about 1866, and for production about 1882. In France, co-operation for supply began about 1840, and for production about 1887. Thus co-operation for the purpose of buying supplies seems to be the natural starting point. No doubt one of the reasons for this lies in the fact that the results from co-operation for supply offer the greatest encouragement to co-operators because their results are immediate and specific, while those from productive efforts take longer, and at the beginning are generally regarded as being more doubtful.

On account of the excessively high prices of everything which people have to buy, few countries, if any, have ever offered greater occasion for the organization of co-operative societies for the buying of supplies than does Canada. Why then are more such societies not formed, and why are those that have been formed not more successful? Because there are two great obstacles in the way.

First, the manufacture and sale of practically every staple commodity produced in Canada is controlled by combines, and the heavy duty on imports compel the people to buy from these combines. If a co-operative society is formed, and the combines desire to put it out of existence it is an easy matter for them to do so simply by supplying the local retail store at prices which enable it to undersell the co-operative society. If the combines permit it to exist it nevertheless has to get its supplies from the same source as does the local store, and hence the co-operative society is not likely to be of much advantage to its members. It must not be overlooked that the profits of local store-

keepers at the present time do not enable them to do much more than exist, and in the case of thousands of country stores they have not been able even to do this, but have been driven out of the business. The large departmental stores at present are offering to fill mail orders at their ordinary retail prices, and to prepay charges to any point in Canada. In order to do this they must necessarily get their supplies considerably below the ordinary wholesale price, which both co-operative societies and the ordinary retail stores have to pay. The compact that exists between the manufacturers, wholesalers and large departmental stores will have to be broken up before co-operative stores can succeed, or even before the ordinary local stores may be expected to sell to customers at reasonable prices. The only way to break up this compact is by lowering the tariff.

The co-operative stores of Great Britain have been a great success because they are able to buy their supplies in whatever part of the world they can get them the cheapest.

The wholesale price of flour in Winnipeg at the present time is $2.95 a hundredweight. The wholesale price of the same grade of Canadian flour in Great Britain is 29 shillings for a sack of 280 pounds, or $2.50 a hundredweight. The cost of taking flour from Winnipeg to Manchester, England, or to Glasgow, Scotland, the homes of the two co-operative wholesale societies of Great Britain, is about 50 cents a hundredweight. The result of this is that the agent of the British co-operative societies buys his flour f.o.b. cars Winnipeg for about $2.00 a hundredweight, while the local Winnipeg merchant has to pay $2.95 for the same grade. By the time this flour reaches the consumers the difference in price in favour of the Englishman is very much greater, and particularly if it is retailed out in small quantities, such as the poor people have

to buy. For instance, at present, the price of a seven-pound sack of flour in Toronto is 30 cents, or at the rate of $4.28 a hundredweight. The price of a seven-pound sack of the same grade in Manchester is 11 pence, or 22 cents, which is at the rate of $3.14 a hundredweight.

As already shown in the previous chapters, such staple commodities as are imported are sold to the Canadian consumers at prices equal to the prices paid for them in the countries of their origin, plus freight, tariff and a substantial profit. If they are goods other than staple, the prices which Canadian consumers pay are often two, three, or four times the price at which they are retailed in the country of their origin. For instance, the retail price of English marmalade in Great Britain is 4½ pence, or 9 cents for a one-pound jar. But the price of the same brands sold by the large departmental stores in Toronto is 18 cents for a one-pound jar. The import duty and freight to Toronto is about three cents a pound. Co-operative stores, no doubt, could supply articles such as this at a much lower price than consumers are now paying. But no store could afford to handle only special articles. The staple articles, such as flour, sugar, dry goods, boots and shoes, bran, hardware, harness, etc., form the basis of operation, and the sale of all these are controlled by Canadian combines.

A second obstacle in the way of co-operative organizations is the absence of any legislation that might tend to encourage it. Repeated attempts have been made to enact such legislation, but the organized opposition has always been stronger than the unorganized support.

But notwithstanding the existing handicaps, some progress in the direction of co-operation is being made, particularly in the West. According to an editorial in a recent number of the "Grain Growers' Guide" of

Winnipeg, "Every week news is received of some co-operative work that is being undertaken by the farmers of some community in the West. They are buying coal together and saving $2.00 a ton, or buying flour co-operatively, and thus reducing the cost from fifty to sixty cents per hundredweight, or binder twine at a substantial reduction, or co-operating in the sale of their products, and thereby reducing the expense of placing them on the market."

This is a work that should be encouraged and assisted. Results in every country have demonstrated that there is no economic or social force of greater value to producers and consumers than co-operation. It enhances the value of industry and increases production. In no sense is it a charitable or paternal movement since it simply provides the opportunity for, and encourages self help. By co-operative marketing the producer retains a monetary interest in his products until they are finally sold to the consumer. In this way he is encouraged to have a greater regard for quality, and to take much more care in preparing, grading and packing. He is also encouraged to keep informed on prices, conditions and requirements of markets, as well as to know something of the movements and methods in other countries from which competitive commodities come. The facilities for performing this work and supplying this information can be provided by co-eprative societies much better than in any other way. Co-operation possesses the power of lifting the indifferent farmer and other producer out of the old rut of careless habits, and of inculcating the value of systematic and scientific efforts. The effect which such a movement would have upon the agricultural industry of Canada is indicated in the following quotation taken from an address delivered by Mr. C. C. James, Deputy Minister of Agriculture for Ontario, which was given a

few days ago before the International Association of Farmers Institute Workers, at Washington.

"If by some magic or process of regeneration," says Mr. James, "we could turn all the indifferent farmers into wideawake, progressive, up-to-date farmers, the total production of the Province of Ontario would be easily doubled, and it is not beyond the reach of possibility to treble our output. We have in Canada, as you have in the United States, a Commission for the Conservation of Resources. As far as the Province of Ontario is concerned, we are concerned not so much with the preservation or conservation of our agricultural resources as with the need for expanding and enlarging the agricultural resources that nature has given us. . . .

"Helping the farmers to larger production and to larger life can be justified only on the ground that thereby we are contributing to the prosperity and uplift of the whole community. A town of 5,000 people is surrounded by a farming community. Through the agricultural uplift, $1,000,000 could easily be added to the annual production of the surrounding and contributing country. Is it conceivable that such an addition could be made without touching every banker, every manufacturer, every storekeeper, every doctor, every lawyer, every newspaper owner in the town? First and foremost then it seems to me that we must take the problem of the indifferent farmer out of the country and bring it into the town and city. . . .

"We must get the town and city people awakened to the possibilities, and to do this we should have the powerful support of the press and through it reach the city organizations. It is all very well for some of the papers to call attention from time to time to inferior farm products that find their way to market and to preach a little sermon on the subject for the benefit of the farmer; what is wanted is the providing of ways

and means whereby the farmer can be shown the better way. We go about these things too often in the wrong way. Let me give you an example. There was held recently in the city of Toronto a meeting of produce commission merchants to discuss the question of bad eggs. The result of that meeting was the passing of a resolution asking the Dominion Minister of Agriculture to have enacted stringent legislation against the marketing of stale eggs by the farmer. That, of course, was the easiest proposal to make, easier to suggest than to carry out. . . .

"Suppose these merchants had said:—'The marketing of stale eggs is in the long run bad business for the farmer, it is a losing game for the commission merchant, and it is certainly an aggravation and a loss to the consumer. Let us ask that the farmer be taught the better way. We have only to go to Denmark to see what that better way is.' "

Mr. James dropped this subject here, which is a pity. We have a long way to go before we can hope to produce eggs as they are being produced in Denmark. There is a lot of preliminary work to be done before we can imitate their methods of producing and selling eggs, or even before we can hope to compete with them in the egg markets of the world. On account of the difference in the cost of building materials, foodstuffs, labour, transportation, and all the other considerations that go to make up the cost of egg production, it is less profitable, no matter how scientifically it may be done, to produce eggs at 35 cents a dozen in Canada, than to produce them in Denmark for 20 cents, which price we must meet if we are to regain our position as a supplier of eggs in the British markets.

Moreover, the co-operative machinery by which the Danish people gather, sort, test, pack, transport and market their eggs cannot be constructed in a day. It takes years of careful nursing and education to build

up an efficient system of co-operative production. "The farmer," says Mr. Nugent Harris, Secretary of the Agricultural Organization Society of England and Wales, "becomes a co-operator from a purely selfish and monetary point of view. He first finds the advantage of buying his supplies co-operatively. He then tries co-operative selling. Then he goes in for the other co-operative methods of production. By this time he has learned that mutual well-being is essential for individual welfare, a long step forward in a competitive community. The big man discovers the value of the little man's prosperity. The small man realizes that by co-operation he becomes the equal of the large competitor."

Thus if Canada is to succeed in co-operative protection, we must first recognize that we have to begin almost at the beginning. We must make it not only possible, but easy for the organization of co-operative country stores, and encourage the people to form and make use of them. By so doing two important steps will have been made in the direction of co-operative production. Costs will be lowered, and hence profits increased, and the producers will learn the value of co-operation. In addition to increasing production such a movement will have two other very important economic effects:—(1) It will check the present tendency to centralize industry in two or three points at the expense of the rest of the country. (2) It will thwart the ambitions of a few gigantic combines to become international in their control of prices. It is possible for large packing houses such as exist in the United States to get control of the few in Canada, and thereby become an international trust; but it is not possible for the meat trusts of any country to control the co-operative packing houses of Denmark. These are owned by the Danish people, and not by a few monied interests.

But the greatest value of co-operative organization lies in its effect upon production. Denmark is about two-thirds the size of the Province of Nova Scotia, and has a population about one-third that of the whole of Canada. It has a climate very similar to that of Nova Scotia, and is only slightly near to the principal markets of Great Britain. In 1909 Denmark supplied the English markets with 34,282,000 dozens of eggs, while Canada supplied only 34,840. In the same year the Danish export of butter to the British markets was 1,764,027 long hundredweights, while Canada sent only 22,522 hundredweights. In the same year the Danish people supplied the English markets with 1,809,745 hundredweights of bacon, while Canada supplied 443,-386 hundredweights. Denmark also supplied 197,594 hundredweight of salt pork, while Canada supplied 189 hundredweight. The only product of this class in which Canada exceeds Denmark in the English markets is cheese. In 1909 Canada exported 1,566,546 hundredweight of cheese to Great Britain, while the quantity sent from Denmark was practically negligible. In 1909 Denmark exported to all countries about $2,000,-000 worth of cream.

Because Denmark is such an extensive producer of agricultural products it must not be thought that the Danish people are wholly occupied with the farming industry. According to the last report of His Majesty's Consul at Copenhagen, "of the whole population of Denmark 37.8 per cent. live by agriculture and forestry, 31.5 per cent. by manufacture, and 15 per cent. by commerce and transport."

The history of Denmark's agricultural development is the history of her co-operative societies. In 1866 her first co-operative store was started. Her first co-operative dairy was erected in 1882. Her first co-operative bacon factory was built in 1887, and her first co-operative egg export society was founded in

1895. Each of these branches of the parent co-operative store has been developed and extended until now the country is literally a network of co-operation.

Supply.—For the purpose of supplying the ordinary household requirements there is one large wholesale society known as the "United Co-operative Supply Association." This association is a federation of over 800 local co-operative societies of which one is found in nearly every village and community. These local societies are simply country stores which sell provisions and general household requirements. All these stores buy their supplies from the wholesale association above mentioned. The sales of this wholesale assotion in 1909 amounted to over $10,000,000. There is a Farmers' Co-operative Purchase Federation, comprising over 4,000 farmers for the purpose of buying machinery, feeding stuffs, seeds and fertilizers. There are also six other feeding stuff associations, which buy the supplies for some 600 co-operative dairies. Also four associations for the purpose of buying supplies of feedstuffs and fertilizers, whose members are either agricultural societies, co-operative dairies or individual farmers. There are nine societies for purchasing seeds, and one for purchasing dairy supplies, whose members are some 362 co-operative dairies.

Dairies.—In 1909 there were 1,116 co-operative dairies whose products were largely marketed by nine butter export federations. For dairy educational and intelligence purposes there are:—

(1) A Dairy Managers' Association.

(2) A Dairy Members' Association.

(3) A Society for the Encouragement of Cheese Production.

(4) A Friendly and Accident Insurance Society.

(5) A Statistical Association for the Estimation of Cost of Production.

(6) A Wholesale Butter Quotation Committee, one item of whose work is to find out and publish regularly the price of butter in foreign markets.

Bacon Societies.—At the beginning of 1909 there were 32 co-operative slaughter houses, or bacon factories, and during the year three new ones were added. There is a society or federation of these bacon factories for selling purposes. This federation also acts as an intelligence department.

Egg Societies.—There is one central egg organization known as the Co-operative Egg Export Association, with a total membership of about 40,000. The following account of how the Danish egg trade with England is arranged will be instructive. This is taken from an article by Mr. Kock, the Consultant of the Danish Societies for Profitable Poultry Culture:—

"The regulations governing the operation of the co-operative egg societies of Denmark, provide that eggs delivered to the collector from the local society must be only those laid by the member's own hens. He has to deliver all his eggs except those used for hatching and in the household; further, the eggs must be gathered every day, in hot weather twice a day, and protected against frost, rain, sunshine, etc. China eggs must remain in every nest, and, last, but not least, the produce must be absolutely clean and new laid.

"Once a week the egg collector receives the eggs, stamped on the broad end with the member's and local societies' number. Each member buys a stamp from the society. The collector pays for the eggs after they are weighed. Every week the head society issues the prices. Most generally the eggs are carried by rail in cases provided with cardboard sections, and holding 500 or 1,000 eggs. The expenses are borne by the local society.

"At the Head Society the eggs are weighed, and then takes place the grading according to size—from

13 pounds to 18 pounds per 120 eggs; and the eggs are put on frames which contain eight to twelve dozen eggs, each egg being placed in a hole by itself, and so skilful are the operators (mostly women) that they are able to sort them very rapidly. The next work is the examination by electric light, by which means it is easy to remove every stale and bad egg. It is easy to detect any member who has delivered bad eggs, and, in consequence of the by-laws adopted by the local societies, on the first offence he is warned, on the second he is fined 5 kroner (about $1.35), then 10 kroner, of which the local society receives half, and the Head Society the other half.

"The eggs for England are packed side by side in long wooden boxes in two divisions holding twelve great hundreds (1,440) in four layers; between each layer is placed wood, wool or straw at the bottom and top. The work is generally done by women. Eggs are stamped with the trade mark of the Head Society.

"Besides the egg business, the Head Society undertake the sale of old hens, chickens, etc., from the members, and are giving prizes every year to the best economical poultry breeders in different parts of the country.

"In the cellars of the egg-packing stations the pickling of eggs is carried on to a large extent. For this purpose large cement tanks are used, mostly containing a mixture of water-glass or lime-water, in which the eggs are put down from April or autumn or winter time. Every tank holds from 70,000 to 100,000 eggs, and before they are packed in cases distinctly marked "Pickled Eggs" they undergo again an exact testing."

Contemporaneous with the growth in agricultural production and consequent wealth in Denmark there has been a general improvement in the education, social conditions and home comforts of the whole people, in-

cluding the erstwhile indifferent farmer. Telephone rates are exceedingly low, and hence this means of communication is in general use. On an average every fifth family has a telephone. Every village has its exchange. All co-operative dairies, egg collecting depots and bacon curing factories are fitted up with telephones. Apart from the great commercial advantages which the farmers enjoy from being in close touch with the markets, there are obvious social advantages in the extension of the telephone system. All this tends to remove the feeling of isolation which besets the average farmer and it makes farm life more attractive.

Now it must not be thought that co-operation is confined to Denmark. While in Denmark co-operative production has reached a high stage of development, practically every other country in Europe has long since recognized the value of the movement, and many of them, such as the Netherlands, France and Germany are almost, if not equally, as far advanced as is Denmark. In the United Kingdom co-operative production of agricultural products is only a few years old and hence is only nicely getting under way, but the co-operative store movement is much older and has been developed to exceptional proportions and a high stage of efficiency. Nor is the movement confined to Europe. In New Zealand and Australia there are strong and well organized co-operative societies, and the movement is spreading rapidly. In the report of the Royal Commission appointed by the Government of South Australia to examine and report upon the best methods for marketing wheat, the following is one of the foremost recommendations:—"Your Commission are impressed with the advantages which co-operation presents as a means for the successful marketing of produce, and are of the opinion that the adoption of this principle of co-operation to the marketing of wheat would materially assist to render the farmers more in-

dependent of the "honourable understanding" (among buyers) than they are at present."

In the last report of Secretary Wilson of the Department of Agriculture at Washington, co-operation for the purpose of purchasing supplies is strongly advocated.

In Canada there are two or three isolated examples of co-operation. The most important of those exists among the fruit growers of the Niagara Peninsula, and the success of this should be an object lesson to other communities.

Beginning in the early nineties, there was a co-operative purchasing movement known as the Patrons of Industry, which at one time was very promising. But as already stated this received a severe blow about 1897. It lingered for a few years but was finally crushed by the combines that began to be formed about the beginning of the present century. Looking back over the history of this movement there is no doubt but that the mistake which the Patrons of Industry made, was in allowing themselves to be dragged into politics instead of confining their efforts to educating and organizing the people. But notwithstanding this failing, it must be acknowledged that much good was accomplished by their co-operative work and teachings. Their best work was done in dairying communities, and, while the effect of the work lasted, production in these communities increased. Previous to 1890 the annual Canadian production of cheese did not exceed 50,000 tons. But during the thirteen years from 1890 to 1903, which was practically the life of the Patron movement, the production increased to over 125,000 tons. Since 1903 the cheese production in Canada has steadily decreased.

As repeatedly stated by Mr. Nugent Harris, Secretary of the A. O. S. Society of England and Wales, "Co-operation should be non-political, absolutely, and

non-secetarian." This has been the guiding principle of the co-operative movement in Great Britain, and in no other country has the co-operative store reached the proportions it has in that country. It is true that the silent teachings of any co-operative movement play an important part in forming the political convictions of the members of co-operative societies. But this is thoroughly healthy, and in marked contrast to the political opinions hastely formed by catch words, and by the sentimental arguments of election agents, or the more discreditable persuasions of political bosses and ward heelers. There is no doubt but that the co-operative store movement in Great Britain which centres in Manchester and Glasgow, has been a silent but important factor in preserving the free trade sentiment that exists at both these places.

"It is important again to emphasize the fact that in England the stores were the first form of co-operation to appear," says Mr. C. R. Fay in his work entitled "Co-operation at Home and Abroad." Another quotation from this work is as follows:—"The British store movement has always preserved strict neutrality in religion and politics."

England is the home of the co-operative store, not only because here it has received its greatest development, but especially because she is the birthplace of the Rochedale plan for dividing profits—a plan which gave new life to the movement, and which is now universally adopted by co-operative stores. In short, this plan is the distribution of profits among members, in proportion to the custom of each. In a stock company the profits are distributed in proportion to the holdings of stock: in a partnership they are divided according to the terms of the agreement between partners. In both these cases the basis of division is generally capital, but in the co-operative store the basis of division is

custom, only sufficient of the profits going to the capital invested to pay a reasonable rate of interest.

At the end of 1909 there were 1,163 co-operative stores in England and Wales, and nearly 300 in Scotland. Those in England and Wales are federated into one gigantic wholesale society with headquarters at Manchester. In 1909 the sales of this wholesale society amounted to £25,675,938, or over $125,000,000. The profits amounted to over two and one-half million dollars, and the total bank turnover to over $600,000,000. The stores in Scotland are federated into a wholesale society with headquarters at Glasgow. The total sales of this society in 1909 were £7,457,136 or over $35,000,000. For many purposes these two wholesale societies work together. The following quotation taken from a paper read before the seventh annual meeting of the International Co-operative Alliance by Mr. Wm. Maxwell, Director of the Scottish Wholesale Society, gives a good idea of the scope and aims of the British co-operative movement.

"As already indicated the two societies are entirely separate institutions, although they conduct many efforts jointly and in the common interests of both. Early in the history of the English Wholesale Society they planted collecting branches in various parts of the world, and the Scottish wholesale at once joined with them for the purpose of getting their supplies direct from the producer. Thus we procure our American produce jointly through the New York and Montreal branches, while recently we have established a buying depot at Winnipeg, Canada, with the view of procuring wheat and flour at first hand. The same joint arrangement holds good in the case of several branches and depots in Denmark and Sweden for the purchase of butter, etc. We also take joint action in Australia, and in fruit buying in Greece and Spain. Some of our factories are also worked conjointly, and last but not least,

we are united in the business of tea buying and blending in London, where an enormous trade is done in tea and coffee, and also, at Luton, in cocoa and chocolate. The two societies own tea gardens in Ceylon, from which direct shipments are made to London. Our united efforts in this direction have been most successful financially, and the greatest harmony and good-will has always prevailed in our united councils.

"This is but a beginning, and is only an indication of what might be accomplished. If every country in Europe had its Co-operative Wholesale Society would it not be possible for all to combine, exchanging the products of the various countries, and thus make the movement a world-wide federation? What has been done in England and Scotland might be extended over the globe, and through the agency of the International Co-operative Alliance it is, I think, possible that the idea might be carried into practice in a comparatively short time.

"The advantages of wholesale co-operation must be apparent to all who understand the aims and objects of the movement. The retail societies, instead of buying separately, as formerly, and thus largely competing with each other, are now practically independent of the trader, who naturally has no desire that co-operation should expand or develop. The societies can now purchase unitedly through the agency of their own "wholesale," the capital at its command ensuring that the best terms will always be secured. Further, the goods or articles bought or manufactured by the "wholesale" are specially selected or made to meet the wants of co-operators, the requirements of the retail society being better known to the wholesale society buyers than they can possibly be in the case of an outside firm, while the orders for the various classes of goods given at a time or to be sent to one consignment, being much larger than the ordinary trader can place,

puts the society in a unique position in all the markets of the world as regards terms of purchase.

"A duty which the wholesale society also takes up is the nursing back to healthy and strong positions any weak and struggling societies in the federation. Every help and assistance is given in these cases to put such societies on a firm and secure footing.

"Another important point is that all the goods manufactured by the wholesale society are made under the best conditions for the workers as regards wages, hours and general surroundings. This gives, or ought to give, the consumer a feeling of satisfaction and pride in the movement through the knowledge that all his requirements are produced under the very best possible conditions of labour, while it also tends to point the way and act as a standard in this respect for other employers.

"It may be of interest to note that our great distributive business of £7,000,000 (that is the business of the wholesale society at Glasgow) per annum is transacted on the small working expense of 5½ pence per pound on sales (eleven cents on every $4.86 2/3 sales, or 2¼ per cent.), and the total loss by bad debts since the beginning of the business in 1868 only amounts to about 2 pence per £100 of sales." (Or 4 cents on every $486.66.)

The hopes of Mr. Maxwell at first thought may appear a little over-ambitious, but when it is remembered that there seems to be no limit to the scope and ambitions of monopolies and combines to fix prices to consumers, and also to fix the prices which producers receive for their commodities, it will be readily realized that the cure must be in proportion to the disease. Moreover, if co-operation continues to make the progress it has during the last ten or fifteen years there will be no doubt but that Mr. Maxwell's ambitions will be realized in a comparatively short time. The value

of the movement to the economy of production, and to the uplifting of the producers, appeals to all classes of thinking people, and hence it readily acquires disciples and promoters who often force the movement where it does not start spontaneously from the people themselves. The work which Sir Horace Plunket and his many assistants have accomplished in Ireland is an excellent example of this. According to Mr. C. R. Fay, these pioneers of the movement in Ireland had first to "create a co-operative character. They had to turn the Irishman's natural fondness for union away from the public houses which organized him in barren strife of politics and religion to the co-operative society which could readily better his agricultural and social standing. The Irishman, like his Anglo-Saxon brother, began by suspecting that the pioneers were trying to make something out of him. When convinced of their sincerity he became sentimentally enthusiastic, and his sentiment had to be hardened into businesslike stability." But the movement from the start had the support of the church, and rapid progress has been made. In 1894 there were only 34 co-operative societies in Ireland. But in 1909 there were no less than 912. The Irish producer of agricultural products is rapidly becoming a strong competitor in the English markets. In 1909, Ireland exported over $90,000,000 of live stock and meats, and over $38,000,000 of butter, eggs and poultry. The population of Ireland is under four and a half millions.

Another factor that is driving the co-operative movement forward is the premium which all markets are beginning to place on the brands of reliable and regularly obtainable goods. This makes it increasingly necessary for producers to co-operate for the collecting, grading, testing and branding of their products, and for disposing of them regularly in the best markets. The days when each producer made his own bit

of butter, cured his own bacon after raising his pigs according to his special whim, preserved his own fish or marketed his few dozen of eggs which were produced in the most haphazard way, have gone by, and the country that does not conform to the new methods, cannot expect to get or retain the markets.

The only feature of co-operation that militates against the more rapid progress of the movement, lies in the fact that as soon as a co-operative society is formed in a community, the independent operators are forced, if they want to continue in business, to deal at the same prices as the co-operative society. In the case of supply, the independent stores are compelled to accept the same prices for their commodities as are being charged by the co-operative store. In the case of buying, the independent purchasers have to pay the same prices as are being paid by the co-operative society. Thus every member in the community is benefited, whether he belongs to the co-operative society or not. In this way, the immediate and most tangible results, which are entirely due to the presence of the co-operative society, are not likely to be fully appreciated, particularly in face of the disposition on the part of the independent operators to claim that the general lowering of prices for requirements, and the rise in prices of products, were due to causes outside of co-operation. But let the society be removed and the producers and consumers will see how soon the old prices will be re-established.

But no co-operative society should confine its efforts to simply buying and selling. There is much which the society can do in the direction of encouraging the adoption of better methods of production, and supplying the required assistance to bring this about. Foremost among the ways and means for accomplishing this, stands the Co-operative Credit Movement, by which producers, and particularly the small ones, are

enabled to borrow money for improvement at low rates of interest.

In its simplest form, co-operative credit is nothing more than a number of producers coming together and forming a society for the purpose of borrowing money at low rates of interest for improvement and production within the community, in exactly the same way that they would borrow for the purpose of building a church or anything else. The only difference being, instead of spending it collectively, as they would do in the case of building a church, it is loaned out to the members in such amounts as the society considers can be profitably employed, and as the borrowing member will undertake to so employ and to pay back within a certain time. The society, of course, borrows the money where it can get it cheapest, and on the most suitable terms. In some countries it is borrowed from private banks. In others, the governments have made provision for either loaning direct or arranging so that co-operative societies can borrow cheaply and easy.

In most countries, however, the Co-operative Credit Society does not long remain in this simple form. It soon discovers that the members of the society and others in the community have savings to deposit, and that they also require the ordinary banking accommodation which enables them to keep a running account for current receipts and expenditures. Moreover, the society soon discovers that they can better and more cheaply manage their local loans by forming a bank. This leads to the establishment of a co-operative bank, in some countries called an Agricultural Bank. The work of a co-operative bank and how it differs from the ordinary joint stock bank is well set forth in the following extract from Mr. C. R. Fay's work, "Co-operation at Home and Abroad."

"The business of lending money is ordinarily undertaken by two classes, banks and money lenders. A

bank belongs to either an individual or a company. A money lender is always one or more individuals, generally of a disreputable character, dealing preferably with unfortunates. The Co-operative Credit Society is a bank of a particular kind. It assists first, that class of people who would otherwise be driven to a money lender. The distinctive features of the co-operative bank are two:—(1) The banks are controlled by the members who make use of them. (2) The credit given is of a personal kind.

"It is hard for the small man to prove that he is sound and worthy of credit, and still harder for the ordinary industrial bank to test him. The co-operative bank removes both these difficulties. Because it is his own bank the member has no shyness or fear in applying to it. Because the members know one another, as business neighbours, they can gauge the borrower's credit worthiness without an expensive or hampering supervision."

Between the existing banking system of Canada, and a system of co-operative banks, there are other very important differences. The whole of the Canadian banking business is controlled by about one-half a dozen people, really by about two. By the existing system, the savings of the whole country are drawn to two or three centres, where they are too frequently used for stock gambling purposes, or from where they are shipped out of the country to be loaned on foreign stock exchanges. The foreign call loans of the Canadian banks at the beginning of 1910 amounted to $138,505,379. Lately these have been reduced, probably on account of the approaching revision of the Bank Act. A system of co-operative banks would keep within each community the savings of its people to be used for increasing production and for the general upbuilding of the community. Furthermore, a system of co-operative banks would bring to each community its fair share of

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many are the Dresdener Bank, and the Prussian Central Bank for Co-operative Societies, which is a State institution organized by the Prussian Government in 1895 to meet the needs of co-operative societies. This State bank forms the great clearing house for the system of Agricultural banks. According to the report of the National Monetary Commission of the United States, "the mission of the Prussian State Bank is to help the smaller men engaged in industry, both in city and country, to obtain sufficient working capital for their legitimate business needs, and it thereby seeks to maintain and foster this industrial class—a task of the highest importance to the social and economic interests of the State."

In 1907 the deposits in the Prussian State Bank amounted to about $450,000,000. Its total transactions in that year aggregated over three and one-third billion dollars. Few, if any, countries have made the progress in agriculture that Germany has. As in other industries, the Germans have made use of the most improved and up-to-date methods for enhancing the efficiency of the farming industry, and have readily applied the conclusions of science wherever possible. "The volume of talk about Germany's progress in manufacturies and commerce has made us forget what the German farmers are doing."*

In other countries the development of co-operative credit societies or banks have followed very closely the German models, the main difference being only in the degree and manner of State support.

By the laws of France, the central bank of that country, namely, the Bank of France, is compelled, in return for its note and other privileges, to grant an interest free loan of 40,000,000 francs to agricultural

*"Our German Cousins," published by The London Daily Mail, 1909.

credit, and to make in addition a present of over 2,000,000 francs annually. This is not given to individual societies, but to "caisses regionales," created for the purpose which employ it as a working capital for operations similar to those of the State Bank of Prussia. In Norway, a State supported co-operative bank has been recently established along lines similar to that of the Prussian Bank.

During recent years co-operative credit banks have spread very rapidly to all parts of the world. At the end of 1900 there were 21 co-operative societies in Japan, of which 13 were credit societies. At the end of June, 1909, there were no fewer than 5,149 societies, 1,864 of them being credit societies. In Russia on January 1st, 1909, there were 1,644 credit societies on the Schultze Delitzsch plan, and over 3,500 on the Raiffeisen plan. During the last ten years agriculture in Russia has experienced a tremendous expansion. She is now the largest exporter of all kinds of farm products. Last year Russia gained the position of being the largest producer of wheat in the world, United States having held this position previously.

In their efforts to resuscitate the agricultural industry of Great Britain and Ireland, the co-operative pioneers have found that they make slow progress in any community in the matter of production until an agricultural bank has been established. On January 1st, 1909, there were 267 co-operative credit banks in Ireland.

In most agricultural countries, except Canada, there is some machinery for supplying the small producers with credit at low rates of interest. In New Zealand, and most of the States of Australia, the Government makes direct loans at rates of interest seldom above 4½ per cent. This gives direct assistance to farming and other industries, and keeps down the rate of interest charged by private banks. The assist-

ance which the individual banking system of the United States is to local industries has already been reviewed.

The people of Canada, however, are beginning to recognize the need for and value of Local banks. In 1900 the first co-operative bank in Canada was organized at Levis, Quebec; in 1901 a second was started at St. Joseph, and in 1905 a third at St. Malo. In 1907 three more were added; in 1908 the number was further increased by eleven; in 1909 by fifteen, and in 1910 by twenty-three. Heretofore the movement has been confined almost entirely to the Province of Quebec, where it has been working under the Syndicates' Act of that province. But it bids fair to spread to other parts of Canada as soon as the required legislation can be procured from the Federal Government.

In 1907 Mr. Alphonse Desjardins, to whom indefectiable and well directed energy we owe what has been accomplished by the movement to establish people's banks in Canada, had a bill introduced at Ottawa dealing with co-operative movements, but in that year it got no farther than a Committee of Inquiry. In 1908 it passed the Commons, but was thrown out by the Senate. In 1909 the proposed measure was divided into two bills—one dealing with co-operative banks, and the other providing for productive and distributive forms of co-operative activity. The first bill never came up for final reading, and the second was defeated in committee. The bills in modified forms are again before Parliament, but the opposing forces are arrayed against them with more determination than ever. This is a fair example of how difficult, if not impossible, it is to procure legislation that is in the public interests.

That these people's co-operative banks are well adapted to the requirements of this county, and that the people readily avail themselves of the opportunities these banks afford, is demonstrated by the history of any one of them, but particularly of the one at Levis,

which is now more than ten years old. The loans made since the organization of this bank amount to $621,-509.98, divided into 3,700 accounts. Not one dollar has been lost up to date.*

*An excellent review of the economic and social advantages of peoples' co-operative banks, as well as a complete account of what has been done to establish them in Canada, appears in "The Report of the Special Committee of the Canadian House of Commons on Industrial and Co-Operative Societies, 1907," and in Senate Document 583 of the National Monetary Commission of the United States. Both these accounts are contributed by Mr. Desjardins. A very good account is also given by Mr. Hector Macpherson in his "Co-Operative Credit Associations in the Province of Quebec," recently published by the University of Chicago.

CHAPTER X.

RECIPROCITY WITH UNITED STATES.

From the abrogation of the Reciprocity Treaty in 1866 until the year 1897, the political history of Canada records one continuous appeal to the United States for a renewal, either in part or in whole, of the trade relations that obtained from 1854 until 1866. The contention that a union of all the British North American provinces would assist in forcing an entrance to the markets of the United States was one of the strong arguments in favor of Confederation. The same kind of argument also did service for the Conservative party when it was in opposition from 1874 to 1878, and when the tariff now known as the National Policy was drawn up in 1879, its terms were dictated in a spirit of retaliation against the American duties on Canadian products. One of the distinctive features of the National Policy was the offer it contained to desist from the use of this retaliative tariff just as soon as the American Republic agreed to reciprocate in the trade of natural products. In 1891 the Canadian Parliament was dissolved, and the Government of the day sustained on the policy of this retaliation and offer. In 1869 the first offer of reciprocity was carried to Washington by Sir John Rose, the then Minister of Finance. In 1871 Sir John A. Macdonald carried the offer to Washington. In 1874 the Hon. Geo. Brown was sent by the Mackenzie Government. He succeeded in negotiating a treaty which was not ratified by the United States Government. When the Liberal Government came into power in 1896, another embassy was sent to the American capital. The reply

received then convinced Sir Wilfrid Laurier that there was no immediate prospect of the United States surrendering her tariff for reciprocity with Canada, and immediately on the failure of this attempt the Premier announced that "no further pilgrimage to Washington would be made." Up to this time there was no difference of opinion between either the Liberal or Conservative parties as to the desirability of reciprocity, and the only difference in policy existed in the methods by which each party sought to bring it about. The Conservative party had great faith in the use of the "big stick," while the Liberal party was disposed to adjust the tariff according to the dictates of Canadian interests, and without the use of the "big stick" except for defensive purposes. This difference of policy was most accentuated in the general election of 1896. The Conservative party insisted on continuing the retaliative tariff, irrespective of how it affected Canadian interests, or how the protected interests took advantage of it to raise prices to Canadian consumers. The Liberal party advocated the adjustment of the Canadian tariff to a revenue basis, pure and simple, irrespective of the tariff of the United States or any other country. In other words, the Liberal party advocated the adoption of a fiscal policy similar to that of Great Britain. On this policy they were elected to power. The manner in which they afterwards carried out their pledges has already been referred to in Chapter I.

In the United States, the Republican party supported a high protective tariff, while the Democrats advocated freer trade relations, not only with Canada, but with all foreign countries alike. In the general election of the middle nineties, the Democrats were badly worsted by the Republicans, not on a question of fiscal policy, but on their policy of free silver. Realizing the disastrous effects which free silver would produce

upon the currency, industry, and trade of the country, many substantial interests, which hitherto had supported the Democratic party, bolted and the election resulted in a large majority for the Republicans and disorganization of the Democrats. This electionalso had the effect of bringing together the larger interests, so that when what is now known as the McKinley tariff was in the process of formation, the manufacturing and allied interests were in a position to dictate its terms, and immediately on its adoption were so organized that they were able to take advantage of the protection the tariff gave to raise prices to American consumers.

The McKinley tariff so completely excluded foreign competition from the United States markets that American manufacturing and allied industries prospered immensely, because of the high prices exacted from home consumers. These high prices, however, raised the cost of living, which forced up wages, and in time increased the cost of production. Shortly after the adoption of the McKinley tariff, the people of the United States began to experience the anomaly (as have the people of all other protected countries) of having to pay a higher price for the products of their own country than these same products were being sold for in the markets of the world. Before the cost of production began to go up, the American manufacturers had a reasonable profit on the prices received from exports, and an inordinately large profit on what they sold for home consumption. As the cost of production increased, the profit on exports decreased. But even after they had passed the vanishing point, the larger profits from the home market made up for any losses on exports. This was particularly true of commodities for which the home market was so controlled that only such quantities were offered as were sufficient to supply the demand. Such a policy worked out

very satisfactorily in well-organized industries, and particularly in industries where the exports formed but a small part of the production. But in the case of industries composed of small, unorganized producers, such as those of agriculture, where the exports formed so large a part of production that the prices received by producers were more or less controlled by prices in the markets of the world, it did not work so well. Hence, it was this class of producers who first felt the effect of the new conditions, and this class of industry that first showed signs of weakening under the load the protective tariff was placing upon it. The breaking point occurred about the year 1906.

"The high water mark for beef exports was in 1906, since which year the decline has been so sharp that the exports of 1909 were only 57% of those of 1906.

"In a less degree than beef, pork exports indicate relatively, if not absolutely, a similar decline in the national supply.

"The exports of wheat, and wheat flour, in terms of wheat, fell from 163,000,000 bushels in 1908 to 114,000,000 bushels in 1909."*

The total value of agricultural exports decreased by over $37,000,000 between 1907 and 1908, and suffered a further decrease of over $114,000,000 in 1909. From all available returns to date this decrease has since continued.

For a while all sorts of theories were advanced in explanation of the great increase in the cost of living and production and the apparent weakening of certain industries. But as each of these theories was sifted down, it became more and more apparent that the

*Report of the Secretary of Agriculture for the United States, 1909, pages 19 and 20.

trouble lay largely in the advantage which large and well-organized interests were taking of the tariff to enrich themselves at the expense of the masses of American consumers and producers. At all events, the people of the United States have been rapidly turning against the high protective policy of their country, and had it not been for the promises to reduce the tariff which many of the Republican leaders made during the presidential campaign of 1908, Mr. Taft would have been defeated.

But it is a much easier task to build up than to pull down tariffs. The policy of the Republican party was so controlled by the protected interests that in the drafting of what is now known as the Payne-Aldrich Tariff, Mr. Taft was not able to effect the reduction which the people were led to believe would be made, and which, there is now reason to believe, the President desired. This failure to reduce the tariff produced great disappointment and dissatisfaction throughout the country, which soon began to make itself felt in a disaffection in the ranks of the Republican party at Washington. In a very short time the insurgent element became so strong that it was able to dislodge from the executive positions of the party those who were most responsible for the new tariff.

A characteristic feature of the Payne-Aldrich Tariff was the use it attempted to make of the "big stick." But like most other attempts to whip foreign nations into line by means of tariff threats, it resulted only in putting the executive in a position from which they were forced to retreat in a manner not in keeping with the diginity of a great nation. By section 2 of the administrative provisions of the Payne-Aldrich Tariff, it is provided with what is called the Maximum Tariff. This provides a system of very high duties, which are to be applied to the products of any country

which "discriminates against the United States or the products thereof" in favor of any other country. The imposition of this Maximum Tariff was left largely in the hands of the President.

On account of some special treaty arrangements which Canada has with France and other countries, it was evident that she might be subjected to this Maximum Tariff. The Canadian Government, however, was not disposed to submit to such dictation. On the other hand, the temper of the American people was such that the imposition of the Maximum Tariff on Canadian products would have been most unpopular. So President Taft was forced to get out of a difficult position as best he could. The manner in which he did it was best told by the Hon. Mr. Fielding, Canadian Minister of Finance, when introducing the pending reciprocity agreement at Ottawa a few days ago.

"The President of the United States," says Mr. Fielding, "as one evidence of his sincere desire to avoid trouble with Canada, did us the honor of inviting a member of this Government to proceed to Albany to meet him and discuss the matter. . . . It was not a question of putting on the tariff, but a question of taking it off, and I found the President of the United States was willing to take it off if we could give him some decent excuse to do so. We made a few changes, a few concessions of no earthly importance, but they served the purpose, and gave Mr. Taft the excuse he desired to refrain from imposing the maximum tariff against Canada. Out of this negotiation grew the larger negotiations of a more recent date. We were invited then to take up the greater question of the reciprocal trade arrangement."

Since the passing of the Payne-Aldrich Tariff a general election has taken place in the United States, and the defeat which the "stand pat" Republican can-

didates suffered leaves no room for any doubt whatever about the attitude of the American people toward high and protective tariffs. A large element of the Republican party realize the mistake they have made. They are anxious to regain the confidence of the people and to hold their party together. They now understand that this can be done only by putting themselves on record as favoring a substantial reduction in the existing tariff. Under the circumstances, they cannot very well move for a general revision of the tariff which they have so recently put into force. Their only opportunity, therefore, lay in a reciprocity agreement with Canada, and they accordingly asked the Canadian Government to send representatives to Washington to continue the negotiations that were opened at Albany. The Canadian Government, of course, very wisely consented to send representatives to hear what the United States had to offer.

Previous to the departure of these representatives, the Canadian Government received delegations from various Canadian industries, who presented their views and desires regarding reciprocity with the United States. A review of these representations, together with the discussions of the questions that took place on various platforms, and in the public press, impresses one with the fact that the most which even the ardent advocates of reciprocity hoped for was a free entry to the United States markets for natural products in return for a substantial reduction in the Canadian tariff against American manufactured goods. This view is corroborated by the fact that the representatives of Canadian manufacturers were directed almost entirely against any such reduction. To all these representations the Government made no reply which would indicate their attitude on the subject, with the one exception that they promised not to make any alteration in the exist-

ing tariff that would affect the Canadian manufacturing industry.

With this pronouncement in mind, and with a knowledge of the manner in which the Laurier Government has consistently bowed to the dictates of the protected interests, not only in the matter of maintaining a high protective tariff, but also in the matter of all other legislation affecting industrial combines, such as the Anti-Dumping Act, the Anti-Combine Act, the Banking Act, etc., etc., all of which either confer special privileges or were calculated to allay public feeling without either remedying or preventing an abuse, one cannot but feel what a complete surprise it must have been to the Dominion Government when they learned what a large measure of free trade Mr. Taft and his associates were willing to give in natural products without exacting any of the concessions in the Canadian tariff on manufactured goods which was generally felt would be demanded. For many reasons it is safe to say that there was not much hesitation on the part of the Canadian Government in accepting such an offer.

The immediate value to Canada of the proposed reciprocity agreement lies almost wholly in the larger market it will afford Canadian natural products, such as those of farming, mining, fishing and lumbering. With the one exception of typesetting machines, the reductions in the tariff on manufactured goods are too small to have any appreciable effect, and hence, as a means of reducing the high prices which Canadian consumers have to pay for this class of article, the agreement will have little or no value apart from any affect it may have in disturbing the security which Canadian manufacturers and middlemen have heretofore felt, and in persuading them of the advisability of lowering their prices and of being content with reasonable

profits. There is no doubt but that a movement for a lower tariff in the United States is responsible for the reductions in prices that have taken place there during the last few months.

By the passing of the reciprocity agreement, there will be removed from the category of Canadian protectionists' arguments, the contention that the farmer and other producers of natural products should not complain, because they also enjoy protection. With this argument removed, with the encouragement of the beneficial effects of reciprocity, and with the good start in an organized effort against protective tariffs, bounties and other class legislation, those who have enjoyed the benefit of such privileges have good reason to fear that the wedge of freer trade and lower tariffs will be driven farther. In the face of this natural and reasonable apprehension, it is not surprising to find many manufacturers, bankers and their allies, the heads of insurance companies, wholesale men, the heads of large departmental stores and transportation companies, and others, who are enjoying the fruits of class legislation, lining up in opposition to the pending reciprocity agreement, irrespective of party affiliation. The exceedingly small and unimportant reductions the agreement proposes to make in the tariff on manufactured goods, together with the absolute freedom it gives either country to make further alterations or adjustments, leaves small cause for complaint on the grounds of injustice. The real reasons for opposition are such that they dare not be acknowledged. Hence, opponents are driven to make the most of arguments that are weak and ineffective. An examination of a few important articles dealt with in the agreement will best show how groundless are these contentions, as well as indicate some of the real reasons for opposition.

At present the duty on Canadian wheat going into the United States is 25 cents a bushel. The duty on American wheat coming into Canada is 12 cents a bushel. The American duty on flour is 25 per cent., and the Canadian duty is 60 cents a barrel. The American duty on bran is 20%, and the Canadian duty 17½%. Under the terms of the pending reciprocity agreement, it is proposed to put wheat on a free list, to reduce the duty on flour to 50 cents a barrel, and the duty on bran to 12½ cents a cwt. During the last five or six years there have been times when there was little or no difference between the price of wheat in the United States and in Canada. But these times have almost invariably occurred after the farmers had marketed their crops. All available statistics and information go to show that during the time when the farmers are marketing their wheat, the average price of wheat in the United States has been from 8 to 15 cents a bushel higher than in Canada. From this it is safe to assume that when the American duty on wheat is taken off, the Canadian farmer will at least receive as much for his wheat as does the farmer in the United States, consequently the Canadian miller will have to pay more for his wheat. This raises the question, Will the consumer have to pay more for his flour and bran? The answer is in the negative, for the reason that the prices of both these commodities in Canada are as high as can be charged in competition with imports. On the whole, the prices paid by Canadian consumers for both these commodities are higher than those paid by consumers in the United States. The lowering of the tariff on flour and bran, and the putting of wheat on the free list, will have the effect of taking away some of the profits that are now being made by middlemen and millers, and of giving it partly to the growers of wheat and partly to the consumers of flour and bran.

According to the contentions of the opponents of reciprocity, free wheat will enable the American millers to buy the best grades of our wheat, leaving only the poorer grades for the Canadian millers and for export to the English markets. Such, however, can happen only in the case of American millers being willing to pay more for these grades than the Canadian miller, in which case the Canadian farmer will be the gainer. But are there any grounds for the contention that American millers desire only our higher grades of wheat? If this is so, it is reasonable to assume that the wheat which is now being exported to the United States is composed only of the better grades, because the present duty of 25 cents a bushel is the same, irrespective of the grade. During the fiscal year ending with March 31st, 1910, the exports of wheat from Canada to the United States amounted to 1,856,181 bushels, valued at $1,883,647, or $1.01½ a bushel. During the same time the Canadian exports of wheat to Great Britain amounted to 46,589,228 bushels, valued at $49,267,736, or $1.05¾ a bushel. This would look as if the wheat which the American millers bought graded lower than the wheat that was sent to England. Now it will be interesting to see how the Canadian wheat that was sent to England compares with the wheat which England received from other countries, including the United States. The following table is compiled from the Board of Trade returns for the United Kingdom:

WHEAT IMPORTS INTO THE UNITED KINGDOM FOR 1909.

Country	Amount in cwts.	Value in pounds sterling.	Value per bushel.
Australia	9,700,100	4,683,770	$1.26
India	14,633,200	6,944,466	1.22
Argentine	20,037,800	9,284,501	1.21
Russia	17,844,840	8,173,885	1.19½
Canada	16,615,745	7,604,262	1.18½
United States	15,504,100	6,958,106	1.17

In 1908 the average value of Canadian wheat imported into the United Kingdom was lower than that of wheat from any of the above-mentioned countries, not even excepting the United States. In that year the average value of wheat from the United States was over 3 cents a bushel higher than wheat from Canada. In the matter of flour, there is no difference in the average value of what is imported from Canada and that imported from the United States. In 1909 the average value of flour imported from either the United States or Canada was a fraction of a cent over $2.50 per cwt. In the same year the average value of flour imported into the United Kingdom from Australia was $2.67 a cwt. In face of the fact that there is no better wheat in the world than No. 1 Manitoba Hard or No. 1 Northern, it would seem that, either for milling purposes or for export, sufficient of the lower grades is being blended with the better ones to produce a grade, if anything, under the average of the world's markets, and what has recently come to light regarding the mixing of grades in the elevators at Fort William and other Canadian points, supports this assumption. The treatment which Canadian wheat will receive at the hands of American millers cannot be much worse than the treatment it has received from our own millers and exporters. The elaborate and expensive system of inspection and grading of farm products works out to the disadvantage of the Canadian producer and his products, and the present protective tariff, which limits competitive buying, is not in the interests of the producer.

The opponents of reciprocity also fear that in the event of the agreement going through, Canadian hogs and hog products will become contaminated by the American article. At the present time the American duty on live hogs closes the United States markets to

the Canadian producers of hogs, and forces them to accept a price from the Canadian buyers which, on an average, is lower than the price of live hogs across the [illegible] On the other hand, the Canadian duty on hog products, such as salt pork, hams, bacon and lard, enables the Canadian packing houses to charge Canadian consumers exorbitant prices for these products—prices so high, in fact, that these commodities are coming in from the United States in large quantities. During the year ending with the 31st of March, 1910, the value of live hogs sent from Canada into the United States was only $6,088, but the value of salt pork, hams, bacon and lard which was sent from the United States into Canada was $3,093,978. At the present time the price of salt pork in Canada is $4.00 a barrel higher than in the United States. This difference is just equal to the Canadian duty. Under the proposed reciprocity agreement, live hogs from Canada will be admitted free to the American markets, and the Canadian duty on salt pork and other hog products will be reduced to 1¼ cents a pound. It is safe to predict that this will result in raising the price of live hogs in Canada and in lowering the price of hog products to Canadian consumers. The fact that American hog products are being used so extensively by Canadian consumers at present is a sufficient guarantee of their quality.

On the whole, there are small grounds for the contention that reciprocity with the United States will mean increased prices to Canadian consumers. In a few articles, there is no doubt that prices to consumers will go up, but these will not affect the messes of the people. For instance, the price of hay in the United States is $4.00 a ton higher than in Canada, or an amount equal to the American tariff. The removal of this duty, as the reciprocity treaty proposes, will increase the price of hay in Canada. This will mean that

such concerns as lumber companies, express companies, contractors, large departmental stores, and other concerns with extensive systems of delivery that require the maintenance of large stables, will have to pay more for their supplies of hay. The producers of hay will be the gainers.

Another contention of opponents to reciprocity is that it will divert traffic from the Canadian routes to those of the United States. In reply to this, it must be acknowledged that freight rates and markets determine the routes commodities take, and the main value of reciprocity to the Canadian producer lies in the fact that it will lower the former and widen and improve the latter. The distance via the present Canadian water route from either Fort William or Duluth to Liverpool, England, is over 500 miles shorter than via the existing water route through the United States. When the Georgian Bay Canal is built, the Canadian route will be shortened by nearly 300 miles more. The present Canadian routes by rail and water between the above-mentioned points are from 700 to 800 miles shorter than by the existing rail and water routes through the United States. Moreover, both the Canadian railways and steamship lines have had, and are still receiving, Government assistance to a far greater extent than those of the United States, and if they cannot compete with the American routes in the matter of service and rates, the people of Canada have been badly deceived by the builders. But the fact that the most important east and west Canadian routes are competing so successfully in the matter of paying dividends would go to prove that they are capable of meeting competition in the matter of rates. The class of railroads that are finding it the hardest to meet fixed charges are the north and south roads, particularly those in Eastern Canada. If reciprocity will benefit

these, and there is no doubt but that the resuscitation it will bring about in the industries of farming, mining and fishing will mean increased traffic, by all means let them have their turn. Such roads as the Kingston & Pembroke, the Brockville & Westport, the Central Ontario, the Quebec & Lake St. John, the Quebec Central, etc., require and deserve consideration.

The argument that freer and increased trade with the United States might lead to annexation is one for which we look in vain for a parallel among the considerations that have determined the trade relations of the countries of the world. It is unique, and serves as a convincing evidence of the straits to which opponents are driven for reasons to justify their opposition. One of the best replies that have come to the notice of the writer was made by a farmer a few days ago when he said, "I have 100 tons of hay for sale. If the reciprocity agreement goes through, this hay will be worth to me between $300 and $400 more than it is now. What will be my feeling if the agreement is not ratified? Will I not naturally wish that I were situated across the line? If it is ratified, I will be quite content to remain where I am." This reply is quite in keeping with remarks recently made by two men in the mining industry. One is a producer and manufacturer of talc, and the other a producer of feldspar. At present crude talc and feldspar, as they come from the mine, are admitted to the United States free, but on the finished products there is a duty of $20 a ton on talc and 20% on feldspar. Under the terms of the pending reciprocity agreement, both these articles and their products are to be placed on the free list. The talc manufacturer said that if the agreement was ratified he would enlarge his Canadian plant, but if it failed he would build a mill across the line, to which he would send his raw material, to be finished for the American markets. The feld-

spar producer stated that as soon as feldspar products were admitted free to the American markets, he would grind and prepare this material in Canada, at or near the mine. Instances such as these may be multiplied many times, and they all go to show that as soon as Canada has freer access to the markets of the world and the cost of Canadian production is lowered, the increased industry supplied by carrying Canadian natural products to a higher state of finish will more than make up for any losses that may occur in industries that are now engaged in manufacturing foreign raw material, and which exist solely by reason of a tariff that compels the Canadian consumers to buy the products of these industries at artificial prices. Moreover, these new industries will not be centralized at one or two points. The tendency will be to locate them near the source of supply. Hence the districts that under present conditions are supplying only raw material, and whose activity and life will disappear as soon as the supplies of these are exhausted, will benefit, and their life will be improved and prolonged.

The peculiar feature of this annexation bogie lies in the fact that it originated with and is being largely used by the men whose freedom to take advantage of business opportunities in the United States and other countries has not been interfered with by tariffs or other restraints, although the manner in which these privileges have been abused furnish just cause for complaint on the part of the Canadian people. As already explained, the Canadian banking system is such that all the savings of the country are controlled by a few men—the same men who would prevent the farmer and other producers from trading in the United States, because by so doing they might become annexationists. On these savings the depositors receive 3 per cent. interest on time deposits and no interest

at all on current deposits. Deposits made in the post offices are also transferred to the banks, only the credit slips being sent to Ottawa. In addition to the credit supplied by the aggregate savings of the Canadian people, for which, by the way, not one dollar of reserve is required to be kept, the banks are permitted to issue bank notes, also without having to put up or keep deposited in their own vaults any gold reserve whatever. All these privileges supply the few men who control the banking system of the country with a credit that is limited only by the aggregate savings of the people, plus the ability of the banks to keep their notes in circulation. How has this credit been used? Has it been used to the best advantage in building up Canada, the country that produces it? Even a hurried examination will convince anyone that it has not. It has been used by those who control the banks for the enrichment of themselves, irrespective of the effect which such a course would have, or was having, upon the country. By far the largest part of it has been used to promote and finance combines. Fully nine-tenths of Canada's combines have had their origin in the banks or their subsidiary trust companies. The writer has before him the last report of one of Canada's largest cotton companies, which shows that the bank loans which this company enjoyed on the 31st of March, 1910, amounted to $2,959,783.14. Another use to which the savings of the Canadian people have been put is the promotion of large industrial concerns in Brazil, Mexico, Cuba, United States, and other foreign countries. A third use has been the making of call loans on foreign stock exchanges, particularly those of New York. Canadian bankers attempt to justify these foreign call loans on the assumption that they take the place of gold reserves. But the main value of gold reserves lies in their availability during

times of depresion or panics. During the last money stringency in Canada, the foreign call loans of Canadian banks were of no value whatever. The banks were unable to recall them, and in order to relieve the shortage, the Minister of Finance was forced to break the Currency Act and allow the banks to issue more paper money. No country outside of Canada permits call loans, either domestic or foreign, to take the place of gold reserves. There is no country outside of Canada that does not require its banks to keep gold reserves against bank notes, and many require also reserves against deposits. In Canada the banks are not required to keep either.

Another contention advanced by opponents to reciprocity is that it will affect Canada's borrowing powers. It is very difficult to say what force there may be in this argument. A pro conjecture is as well founded as a con conjecture. But there is considerable force in the belief that any move which will increase the earning power of the masses will lessen the need for foreign borrowing. Furthermore, any move that will reduce prices and the cost of living will enable the country to do more building and make more improvements with less outlay.

Only a few items dealt with by the proposed reciprocity agreement can be touched upon in such a review as this, but the effect that the agreement is likely to have on the whole is fairly indicated by its effect on the articles above mentioned. Practically all primary products of farming, fishing, mining and lumbering are to be put on the free list. The interchange of many secondary products of these industries are also to be free, while in the case of many others considerable reductions in the existing duties are to be made. Only slight and unimportant reductions are to be made in the duty on machinery; and textiles are

not to be touched at all. An important feature of the agreement is the undertaking given by the representatives of both countries to modify the existing red tape of a rigid customs administration. On the whole, the agreement is decidedly in the best interest of Canada, and, being so, is supported by all who have studied it and who are untrammeled by selfish interests or party affiliations. It is also supported, irrespective of whether they have studied it or not, by the rank and file of the Liberal party. For what would seem to be purely political reasons, the leaders of the Conservative party are inclined to oppose it, and to a greater or less extent their party supporters through out the country sympathize with their attitude. This tendency of the people to divide along political lines is not without its value.

In the United States there is not the opposition to the reciprocity agreement with Canada which one unfamiliar with political conditions there would expect to find. This is evidently due to the fact that the Democrats, together with the progressive or insurgent Republicans, who now form the dominant party in Congress, are in favor of a general reduction of the American tariff. No doubt the Democrats feel that if President Taft and his following of progressive Republicans desire to show their attitude towards the tariff and regain the confidence of the American people by negotiating this agreement with Canada, there is no good reason why they (the Democrats) should not give their support. They can as well begin by pulling down the tariff against Canada as by pulling it down against any other country. Furthermore, by supporting the measure, the Democrats gain the confidence and goodwill of President Taft and his party, who no doubt can be of much assistance in carrying through the Senate, not only the reciprocity agreement

with Canada, but also other tariff revisions, which no doubt will be introduced by the Democratic party at the next and succeeding sessions of Congress. In giving their support to the agreement, the Democrats made it plain that in their opinion the American people had more to gain from a general reduction of the tariff, which would admit more freely goods from such countries as England, than they would receive from reciprocity with Canada. "But a small loaf is better than no loaf."*

The protected interests in the United States are not offering any serious or well-organized opposition to the agreement, for the reason that those who are opposed to a reduction of the American tariff fought and lost their battle a few months ago in the general elections. They now recognize that a reduction in the tariff is inevitable. But even among those who have heretofore advocated and benefited by a high protective tariff, there are many who are beginning to realize that the increased cost of living and production, for which the tariff is responsible, is placing the manufacturers of the United States at a disadvantage in foreign markets. The advantages of free trade which England is demonstrating to the world, are beginning to impress themselves upon the manufacturers of United States, Germany, France, and other countries with protective tariffs.

The population of the United Kingdom of Great Britain is under 45,000,000. That of the United States is over 92,000,000. Germany has a population of 65,000,000, and the population of France is about 40,000,000. In 1909 the foreign trade of each of these countries was as follows:—

*Mr. Champ Clark, leader of the Democratic party, speaking in Congress.

FOREIGN TRADE FOR 1909.

Country	Imports	Exports	Total trade
United Kingdom	$3,032,289,000	$2,306,265,000	$5,338,554,000
Germany	2,076,300,000	1,605,596,000	3,681,896,000
United States..	1,475,612,000	1,728,203,000	3,203,815,000
France	1,106,930,000	1,103,876,000	2,210,806,000

A detailed examination of these returns shows that about 80 per cent. of the British exports are manufactured goods, against 70 per cent. for Germany, 60 per cent. for France and 45 per cent. for the United States. The unrevised returns for the year ending with the 31st of December, 1910, show that the increase in the foreign trade of the United Kingdom for 1910 over 1909 amounted to $577,465,000, while in the same year the increase in the foreign trade of Germany was only $232,542,000. In the same year France gained $156,603,000 and the United States gained $223,600,000. Thus the increase in the foreign trade of the United Kingdom last year was almost equal to the combined increases of Germany, United States and France. In textiles of all kinds, the increase in the exports from Great Britain in 1910 amounted to over $100,000,000, while the exports in this class of goods from Germany in the same year show a decrease of over $12,000,000. The exports from the United States of one article in this class of goods, viz., cotton cloths, show a decrease in 1910 of $2,800,000; this notwithstanding the fact that the United States grows large quantities of raw cotton, while Great Britain has to import all her supplies. The exports of boots and shoes from Great Britain in 1910 amounted to $14,757,620, which was an increase of $3,579,830 over 1909. The exports of boots and shoes from the United States was $13,200,000, which was an increase of $1,800,000 over the year previous. This is a commodity in the manufacture of which, it is claimed, the United States excels. Moreover, in com-

petition for the markets of the United States, no country is so successful as is "free trade" England. In 1910 the United Kingdom increased her exports (largely manufactured goods) to the United States by $23,424,000. Germany increased hers by only $4,583,000; while the exports from France to the United States decreased by $10,172,000.

Lloyd's Register reports that during 1910 new vessels to the amount of 1,143,169 tons gross, exclusive of warships, have been launched in the United Kingdom. The total tonnage launched by all other countries in 1910 amounted to 814,689 tons gross, or slightly more than two-thirds of that of the United Kingdom.

In her aggregate earning power, the United Kingdom far surpasses other countries. At the end of 1909 her foreign loans and investments on which she was drawing interest amounted, according to the best authorities, to $15,000,000,000. The principal creditors that went to make up this colossal sum were as follows:—

The United States	$3,400,000,000
Australia and New Zealand	1,900,000,000
Canada and Newfoundland	1,800,000,000
India	1,750,000,000
South Africa	1,700,000,000
Argentine Republic	1,500,000,000

During the year 1910 the United Kingdom increased her foreign loans and investments by over $900,000,000. Of this amount Canada received over $180,000,000 and the United States over $195,000,000.

These substantial borrowings on the part of Canada and the United States serve to settle the adverse balance of trade, which in recent years has been setting in against the continent of North America by reason of increases in imports without corresponding increases in exports. It must not be overlooked that im-

ports of manufactured goods have been coming into the United States in increasing quantities, notwithstanding their high tariff, which was intended to keep these out. When the value of exports fails to equal the value of imports plus interest due on foreign loans and investments and any other charges or balances that may be owing, one of two things must happen—either more money will have to be borrowed, or gold exported. In the matter of settling international balances, New York is as much the clearing house for Canada as it is for the United States. The rates of exchange in Toronto and Montreal on European drafts are set in New York. Hence, although the adverse balances of trade against Canada began some years before they did in the United States, their effect was not felt on account of the larger trade of the American Republic, which absorbed them. The position of Canada in this respect is peculiar. Our heavy purchases of finished articles and certain raw materials, such as coal, have been made in the United States, and we have paid for them largely by borrowing from England. For many years previous to 1906 the continent of North America, by the excess of exports of merchandise from the United States, was able to pay for all purchases of goods made in the other parts of the world, to meet the annual interest charged on borrowings and investments, to liquidate other international differences, and leave a substantial margin to the good. This margin was indicated by the imports of gold, which in 1906 amounted to over $100,000,000. In 1907 the imports of gold fell to $88,000,000. In 1908 the stream turned the other way, and America exported $31,000,000 of gold. In 1909 she exported $89,000,000. The returns to date for 1910 would indicate that less gold has been exported than during 1909, but this is only natural in face of the very great in-

crease in foreign borrowings on the part of both the United States and Canada. Had this borrowing not taken place, America would have been required to export nearly $150,000,000 of gold in order to liquidate her balance of trade. Both Canada and the United States are in the uncomfortable position of living on their capital. Proportionate to her size and wealth, Canada is doing this to a much greater extent than is the United States.

According to the latest returns, the exports of merchandise from Canada for the ten months ending with the 31st of January, 1911, amounted to $257,949,555, which was a decrease of $4,287,018 on the exports for the same period last year. The imports for the ten months ending with the 31st of January last amounted to $376,481,520. Thus the excess of imports over exports for the first ten months of the present fiscal year amounts to the unprecedented sum of $118,531,965. This is made up almost entirely by the excess of our purchases over our sales with the United States. If we add to this balance the interest that accrued on foreign debts during this same time, we find that during the first ten months of the present fiscal year, the balance of trade against Canada has been increased by fully $185,000,000. This, of course, has been paid by increasing our borrowings from England. Surely this is a condition that should cause all patriotic and honest citizens to stop and think. Flag-waving colonial patriots who are now beating the big drum of Imperialism in opposition to the pending reciprocity agreement between Canada and the United States, should ask themselves if it is fair, either to herself or to the mother country, for Canada to continue a policy of buying supplies from the United States and paying for them with money borrowed from Great Britain. It is quite safe to say that the mother

country, who is such an exemplary teacher of sound business methods, would prefer to see her premier colony adopt a policy by which her debts would be paid with the products of her own industries, rather than to encourage the continuance of the present policy in the name of Empire.

It behooves the people of Canada who have the opportunity and facilities for giving these questions careful and intelligent consideration, particularly the younger men, upon whose shoulders will rest the national responsibilities during the ensuing generation, to bestir themselves, to thrown partyism, sectarianism, political catch words and other empty considerations to the winds, and get down to the propagation of sound economic doctrines. For the last fifteen years the opportunities for keeping the people properly informed upon national questions were few, and the results most discouraging. This was almost entirely due to the fact that the two great political parties of the country seemed to be one in their support of class legislation, and for a time it looked as if the only hope lay in the formation of an independent party, a move which, the history of English-speaking countries teaches, should not be made except as a last resort. But now that there are signs of the Liberal and Conservative parties becoming divided into more hostile camps, the outlook for the future is brighter.

There is nothing to be gained by harboring feelings of revenge for what has been done. Neither is there any advantage to be derived by railing at those who have profited by the class legislation of the last twenty or thirty years. Blame rests more with the conditions that permitted it than with those who took advantage of these conditions, and it must not be overlooked that the Governments which created these conditions were responsible to the people. The course

which a people generally takes is dependent upon the character and amount of information that is being disseminated. If the facts are placed fairly before them, they can always be depended upon to take the course that is in the best interests of the country.

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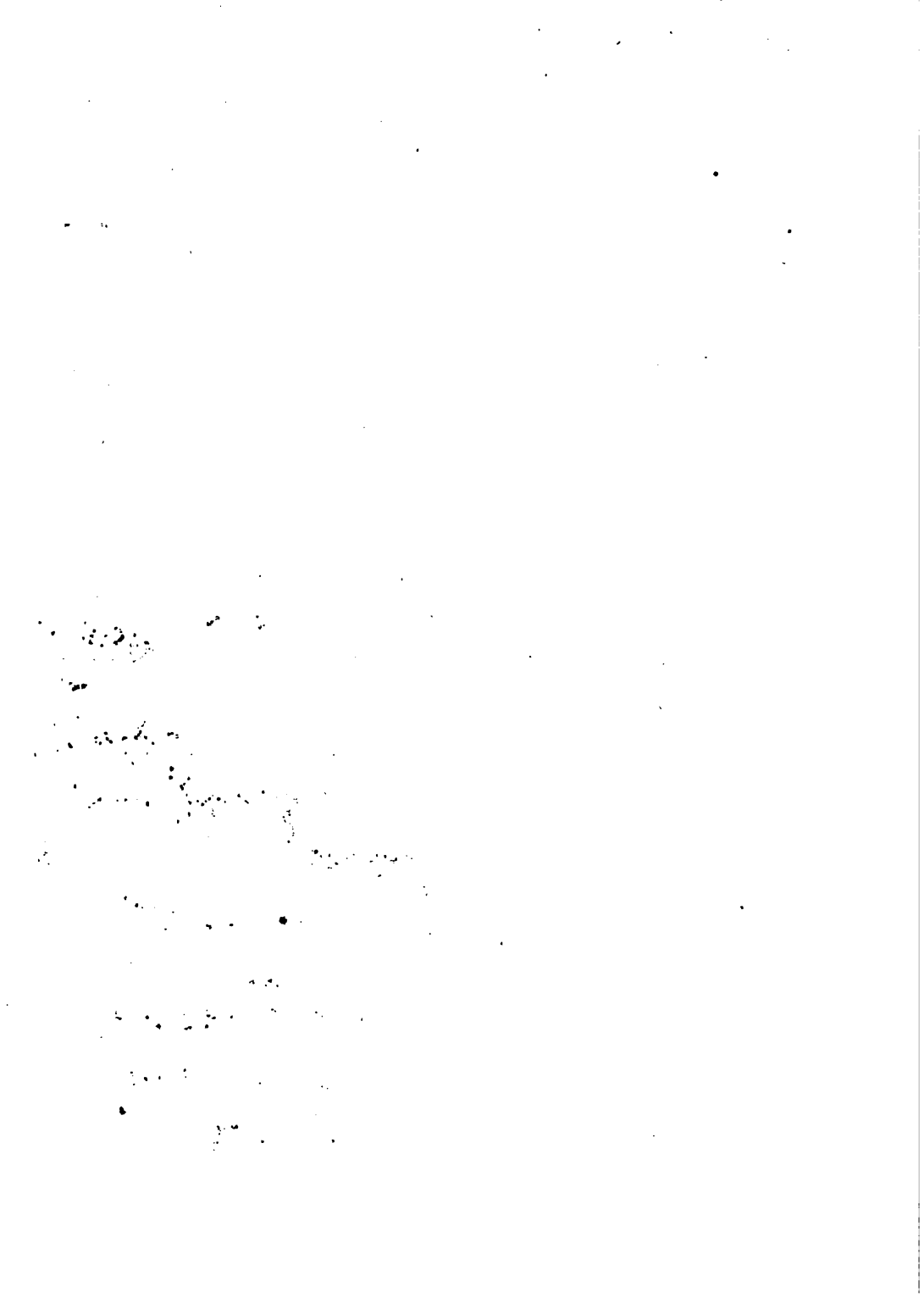

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